



 leverstyle

**Lever Style Corporation**

**利華控股集團**

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1346

**GLOBAL OFFERING**

Sponsor

**ALTUS CAPITAL LIMITED**

Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

**CROSBY**

Joint Bookrunners and Joint Lead Managers



## IMPORTANT

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

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### GLOBAL OFFERING

Number of Offer Shares	: 172,800,000 Shares comprising 160,000,000 New Shares and 12,800,000 Sale Shares (subject to the Over- Allotment Option)
Number of International Placing Shares	: 155,520,000 Shares (subject to the Over- Allotment Option and reallocation)
Number of Hong Kong Offer Shares	: 17,280,000 Shares (subject to reallocation)
Offer Price	: Not more than HK\$1.05 per Offer Share and expected to be not less than HK\$0.85 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund and plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
Nominal value	: HK\$0.01 each
Stock code	: 1346

#### Sponsor

## ALTUS CAPITAL LIMITED

Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

## CROSBY

Joint Bookrunners and Joint Lead Managers



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

**Prior to making investment decisions, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out under the section headed "Risk factors" of this prospectus.**

The Offer Price is expected to be fixed by an agreement between our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Wednesday, 6 November 2019 and, in any event, not later than 5:00 p.m. on Monday, 11 November 2019, or such later date as may be agreed between our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters). The Offer Price will not be more than HK\$1.05 per Offer Share and is currently expected to be not less than HK\$0.85 per Offer Share unless otherwise announced. Applicants for the Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price (HK\$1.05 per Offer Share) for each Offer Share together with a brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is lower than the maximum Offer Price (HK\$1.05 per Offer Share).

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of market interest expressed by prospective institutional, professional, individual and other investors during the book-building process, and with the consent of our Company and the Selling Shareholder, reduce the number of Offer Shares in the Global Offering and/or indicative Offer Price range below that stated in this prospectus (which is HK\$0.85 to HK\$1.05 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. If this occurs, a notice of reduction of the indicative Offer Price range will be published on our website at [www.leverstyle.com](http://www.leverstyle.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk), as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If, for any reason, the Offer Price is not agreed between our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters) by 5:00 pm on Monday, 11 November 2019, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. Further details are set out under the sections headed "Structure and conditions of the Global Offering" and "How to apply for the Hong Kong Offer Shares" of this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares, are subject to termination with immediate effect by written notice from the Sole Global Coordinator (for itself and on behalf of the Underwriters) and/or the Sponsor if certain grounds arise prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be on Wednesday, 13 November 2019). Such grounds are set out in the paragraph headed "Grounds for termination" under the section headed "Underwriting" of this prospectus. It is important that prospective investors refer to that section for details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold only outside the United States in accordance with Regulation S under the U.S. Securities Act and applicable laws of each jurisdiction where those offers and sales occur.

31 October 2019

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## EXPECTED TIMETABLE

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Our Company will issue an announcement in Hong Kong on the website of our Company at [www.leverstyle.com](http://www.leverstyle.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) if there is any change in the following expected timetable of the Global Offering.

**Date**<sup>(Note 1)</sup>  
**2019**

Hong Kong Public Offering commences and <b>WHITE</b> and <b>YELLOW</b> Application Forms available from . . . . .	9:00 a.m. on Thursday, 31 October
Latest time to complete electronic applications under the <b>HK eIPO White Form</b> service through the designated website <a href="http://www.hkeipo.hk">www.hkeipo.hk</a> <sup>(Note 2)</sup> . . . .	11:30 a.m. on Wednesday, 6 November
Application lists of Hong Kong Public Offering open <sup>(Note 3)</sup> . . . . .	11:45 a.m. on Wednesday, 6 November
Latest time to (i) lodge <b>WHITE</b> and <b>YELLOW</b> Application Forms; (ii) complete payment of applications by effecting internet banking transfer(s) or PPS payment transfer(s); and (iii) give <b>electronic application instructions</b> to HKSCC <sup>(Note 4)</sup> . . . . .	12:00 noon on Wednesday, 6 November
Latest time for completing payment of <b>HK eIPO White Form</b> applications by effecting internet banking transfer(s) or PPS payment transfer(s) .	12:00 noon on Wednesday, 6 November
Application lists of Hong Kong Public Offering close <sup>(Note 3)</sup> . . . . .	12:00 noon on Wednesday, 6 November
Expected Price Determination Date <sup>(Note 5)</sup> . . . . .	on or around Wednesday, 6 November
Announcement of the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and our Company's website at <a href="http://www.leverstyle.com">www.leverstyle.com</a> on or before . . . . .	Tuesday, 12 November

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## EXPECTED TIMETABLE

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Announcement of results of allocation under the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our website <i>www.leverstyle.com</i> and the Stock Exchange's website <i>www.hkexnews.hk</i> (for further details, please refer to the paragraph headed "11. Publication of results" under the section headed "How to apply for the Hong Kong Offer Shares" of this prospectus) on <sup>(Note 8)</sup> . . . . .	Tuesday, 12 November
Results of allocation under the Hong Kong Public Offering will be available at <i>www.tricor.com.hk/ipo/result</i> or <i>www.hkeipo.hk/IPOResult</i> with a "search by ID" function from <sup>(Note 8)</sup> . . . . .	Tuesday, 12 November
Despatch/collection of <b>HK eIPO White Form e-Auto Refund</b> payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before <sup>(Notes 6, 7 and 8)</sup> . . . . .	Tuesday, 12 November
Despatch/collection of Share certificates on or before <sup>(Note 6 and 8)</sup> . . . . .	Tuesday, 12 November
Dealings in the Shares on the Stock Exchange expected to commence at <sup>(Note 8)</sup> . . . . .	9:00 a.m. on Wednesday, 13 November

The application for the Hong Kong Offer Shares will commence on Thursday, 31 October 2019 through Wednesday, 6 November 2019, being slightly longer than normal market practice of four days. The application monies (including brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, 12 November 2019. Prospective investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Wednesday, 13 November 2019.



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## EXPECTED TIMETABLE

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*Notes:*

1. All times and dates refer to Hong Kong local time and dates unless otherwise stated. Details of the structure of the Global Offering, including its conditions and grounds for termination, are set out under the section headed “Structure and conditions of the Global Offering” of this prospectus.
2. You will not be permitted to submit your application through the designated website at *www.hkeipo.hk* after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 6 November 2019, the application lists will not open or close on that day. For details, please refer to the paragraph headed “10. Effect of bad weather and/or extreme conditions on the opening of the Application Lists” under the section headed “How to apply for the Hong Kong Offer Shares” of this prospectus. If the application lists do not open or close on Wednesday, 6 November 2019, the dates mentioned under this section may be affected. Announcement(s) will be made by our Company in such event.
4. Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “6. Applying by giving **electronic application instructions** to HKSCC via CCASS” under the section headed “How to apply for the Hong Kong Offer Shares” of this prospectus.
5. The Price Determination Date is expected to be on or around Wednesday, 6 November 2019. If, for any reason, the Offer Price is not agreed by 5:00 p.m. on Monday, 11 November 2019 between our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.
6. Applicants who apply for 1,000,000 Hong Kong Offer Shares or more may collect Share certificates (if applicable) and refund cheques (if applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 November 2019. 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 the personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its 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, Tricor Investor Services Limited.

Applicants who have applied on **YELLOW** Application Forms may elect not to collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants on **YELLOW** Application Forms is the same as that for **WHITE** Application Form applicants. Uncollected Share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants’ own risk. Further information is set out under the section headed “How to apply for the Hong Kong Offer Shares” of this prospectus.

7. e-Auto refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data 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 under the section headed “How to apply for the Hong Kong Offer Shares” of this prospectus.

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## EXPECTED TIMETABLE

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8. In case a typhoon warning signal no.8 or above, a black rainstorm warning signal and/or extreme conditions is/are in force in any days between Tuesday, 12 November 2019 to Wednesday, 13 November 2019, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) despatch of Share certificates and refund cheques/HK eIPO White Form e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange will be postponed and an announcement will be made in such event.

**Share certificates are expected to be issued on Tuesday, 12 November 2019 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 13 November 2019 provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.**

For details of the structure of the Global Offering (including its conditions) and the procedures for applications for the Hong Kong Offer Shares, please refer to the sections headed “Structure and conditions of the Global Offering” and “How to apply for the Hong Kong Offer Shares” of this prospectus respectively.

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### IMPORTANT NOTICE TO INVESTORS

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

*Prospective investors should rely only on the information contained in this prospectus and the Application Forms to make their investment decision. Our Company, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide the prospective investors with information that is different from what is contained in this prospectus. Any information or representation not contained in this prospectus must not be relied on by the prospective investors as having been authorised by our Company, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective directors, officers, employees, agents, representatives or professional advisers or any other person or party involved in the Global Offering.*

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## SUMMARY

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*This summary aims to give prospective investors an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As this is a summary, it does not contain all the information that may be important to prospective investors. Prospective investors should read the entire prospectus before deciding to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks relating to investing in the Offer Shares are set out under the section headed “Risk factors” of this prospectus. Prospective investors should read that particular section carefully before deciding to invest in the Offer Shares. Various expressions used in this summary are defined under the sections headed “Definitions” and “Glossary of technical terms” of this prospectus.*

### BUSINESS OVERVIEW

We provide supply chain solutions in multiple apparel categories for notable brands across the U.S., Europe and APAC. Our end-to-end supply chain solutions encompass fashion design, prototype development, technical package (a blueprint consisting of production instructions and specifications to facilitate contract manufacturers to realise design visions) development, fabric and ancillary raw material procurement, production oversight, quality control, as well as delivery and distribution logistics subject to our customers’ needs. Against the backdrop of consumers’ growing appetite for novelty, personalisation and immediate gratification in apparel products, brought about by social media’s growing influence, and online apparel retail posting significant growth, our business model has evolved over the years to support our customers by offering versatile holistic supply chain services with a focus on technical design (blueprint development of each garment for bulk production). This has imparted us with the ability to serve as a value-adding platform interlinking brands, our multi-jurisdiction contract manufacturer network of 45 in China, 8 in Vietnam and 7 in other parts of APAC as at the Latest Practicable Date and the apparel supply chain. During the Track Record Period, we count widely recognised premium brands such as “AllSaints”, “Boden”, “Theory”, “Vince” and “Vineyard Vines”, digitally native brands such as “Everlane” as well as private labels of digitally native platforms like “Stitch Fix” amongst our clientele. Digitally native customers were our strongest revenue driver during the Track Record Period, with revenue derived therefrom recording a CAGR of over 55.3% from 2016 to 2018 and an increase of approximately 28.1% for the four months ended 30 April 2019 as compared to the same period in 2018.

Our business model focuses on (i) technical know-how cumulated through decades of collaborations with premium brands and over one-third of our staff being technically oriented. During the Track Record Period, we have collaborated with premium brands such as “AllSaints”, “Boden”, “Theory”, “Vince” and “Vineyard Vines”; (ii) versatility in respect of manufacturing location (by maintaining a multi-jurisdiction network of contract manufacturers spanning China, Vietnam, Cambodia and Indonesia), order volume and production lead time; and (iii) holistic services by offering an efficient and convenient all-inclusive platform for our customers to realise their brand vision across multiple apparel categories from shirts to bottoms, suit, outerwear, athleisure, cut-and-sewn knit, soft wovens and denim. In 2016, we disposed of our last self-operated manufacturing facility<sup>Note</sup>, marking the completion of our pivot from a traditional self-operated manufacturing business to a versatile multi-product apparel supply solutions provider. By doing so, we solved the conventional challenge of scaling up in apparel manufacturing under a traditional self-manufacturing model – being beholden to steep overheads and underutilised capacity during low seasons, the exposure to which is exacerbated as our apparel category portfolio widens and production capacity increases.

*Note:* Please refer to the paragraph headed “Relationship with the Glad Garments Group” under the section headed “Business” starting from page 137 of this prospectus for details.

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## SUMMARY

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During the Track Record Period, we principally offered four apparel categories to our customers, namely shirts, bottoms, suit and outerwear, contributing approximately US\$53.0 million, US\$28.0 million, US\$20.0 million and US\$11.1 million to our revenue in 2018 and approximately US\$19.0 million, US\$10.1 million, US\$4.4 million and US\$1.9 million for the four months ended 30 April 2019, representing approximately 45.8%, 24.1%, 17.3% and 9.6% in 2018 and approximately 51.0%, 27.1%, 11.7% and 5.1% for the four months ended 30 April 2019 of our revenue respectively. In terms of customer type, digitally native brands and platforms and conventional brands contributed approximately US\$53.7 million and US\$62.2 million to our revenue in 2018 and approximately US\$17.8 million and US\$19.4 million for the four months ended 30 April 2019, representing approximately 46.3% and 53.7% in 2018 and approximately 47.9% and 52.1% for the four months ended 30 April 2019 of our revenue respectively. As consumers gravitate towards online shopping and highly-customised apparel products, emerging brands with niche customer foci, aided by hyper-targeted advertising offered by algorithmic marketing, are expected to proliferate. Our Directors believe our Group is well-poised to capture the growing demand for tightly-managed apparel supply chains that can liaise with suppliers to manufacture and deliver products in small batches with high speed-to-market.

### **Competitive landscape and strengths**

According to Frost & Sullivan, the global apparel supply chain solutions industry is highly fragmented with more than 100,000 players in 2018. Despite such keen competition, we believe our competitive strengths lie with (i) multifaceted versatility in terms of manufacturing location, order quantity and production lead time; (ii) ability to develop and deliver high value-added product development to accurately realise customers' design vision; (iii) diversified product portfolio with multiple apparel categories; and (iv) established and growing reputation and business relationships with our customers and contract manufacturers. In addition, Frost & Sullivan is of the view that our Group's focus on digitally native brands will generate sustained business growth in the coming years in light of the fast-developing online retail industry. Going forward, the apparel supply chain solutions industry, driven by the growing online sales, is expected to grow at a CAGR of approximately 4.3% from 2019 to 2023. Please refer to the paragraph headed "II. Competitive strengths" under the section headed "Business" starting from page 108 for details.

### **Business strategies**

Going forward, we aim to further consolidate our market position and expand our business to become the partner of choice for brands seeking quality products by (i) expanding our apparel category portfolio through acquiring businesses possessing strong technical know-how in apparel categories we are less experienced in; (ii) enhancing customer penetration amongst our existing clientele and strategically enlarging our customer base amongst digitally native customers and/or conventional premium brands; and (iii) strengthening and expanding our contract manufacturing and material supply network. Please refer to paragraph headed "III. Business strategies" under the section headed "Business" starting from page 110 of this prospectus for details.

### **FUTURE PLAN AND USE OF PROCEEDS**

As demonstrated by our improving financial performance during the Track Record Period, our transformation from a traditional apparel manufacturer to a versatile multi-product apparel supply chain solutions provider with strong product development capabilities has begun to bear fruit. Our Directors are of the view that a Listing status and the net proceeds from the Listing will equip us with readily available resources to tap into high potential apparel categories that we are less experienced in, such as athleisure, cut-and-sewn knit, soft wovens and other apparel categories in a timely manner by way of acquisitions (which is a common industry practice to expand product portfolio according to Frost & Sullivan). Our broadened apparel category portfolio and enhanced technical know-how is expected to enable us to better serve both our customers as well as the target companies' existing clientele and expand against the working

## SUMMARY

capital intensive nature and consolidation opportunities present in the highly fragmented global apparel supply chain industry as elaborated under the paragraph headed “Key drivers and trends” under the section headed “Industry overview” of this prospectus, without compromising our financial positions and gearing ratio, which was still moderately higher than the listed peers, ranging from nil to 30.2%, on the Stock Exchange. In addition, the creditability and transparency as a listed company afforded by a Listing status will cast us in more favourable light with potential acquirees as a potential buyer.

Against the growing prevalence of online retail and social media’s influence on consumers’ preference, digitally native brands and platforms have been proliferating and become our key customers. To capitalise on opportunities brought about by digitally native customers, we shall continue to support the growth of digitally native customers by developing a proprietary B2B technology platform to tap into the pool of underserved entrepreneurs and further enhance the efficiency of our operations through acquiring a new ERP system. According to Frost & Sullivan, B2B platforms, with a high growth potential due to the digitalisation of the downstream B2C apparel industry, have yet to be widely used amongst the apparel supply chain solutions provider in Asia. Therefore, first-movers will be able to take advantage of the technological advancement and the influence of the digitalisation in the apparel supply chain industry. The ERP system can further allow us to integrate business operation and financial functions with our potential acquirees. At this opportune time, the net proceeds from the Listing will provide us with additional capital to spearhead the digitalisation movement while maintaining a healthy capital structure to ensure our business’ sustainability.

Assuming (1) an Offer Price of HK\$0.95 per Offer Share (being the midpoint of the indicative Offer Price range of HK\$0.85 to HK\$1.05 per Offer Share); and (2) that the Over-Allotment Option is not exercised, the aggregate net proceeds from the Global Offering to our Company, after deducting (i) the gross proceeds of approximately HK\$12.2 million (equivalent to approximately US\$1.6 million) from the sale of the Sale Shares by the Selling Shareholder in the Global Offering; and (ii) the underwriting fees, commissions and estimated expenses paid and payable by us in connection with the Global Offering, will be approximately HK\$122.7 million (equivalent to approximately US\$15.7 million). Our Group will not receive any proceeds raised from the Sale Shares.

<b>Purposes of the net proceeds of the Global Offering to be utilised</b>	<b>Total amount of net proceeds of the Global Offering to be utilised</b>		<b>Percentage of net proceeds of the Global Offering to be utilised</b>
	<i>HK\$’ million</i>	<i>US\$’ million</i>	
(i) Expansion into the additional apparel categories by acquisition(s)	83.8	10.7	68.3%
(ii) Capital investment in relation to our B2B online platform	20.0	2.6	16.3%
(iii) Capital investment in relation to digitalisation	7.3	0.9	5.9%
(iv) Repayment of existing debts	6.5	0.8	5.3%
(v) General working capital	5.1	0.7	4.2%
<b>Total</b>	<b>122.7</b>	<b>15.7</b>	<b>100.0%</b>



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## SUMMARY

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### Listing expenses

The total Listing expenses (based on the mid-point of the Offer Price range) are estimated to be approximately US\$3.9 million (equivalent to approximately HK\$30.3 million), which will be borne by the Selling Shareholder and our Group as to approximately US\$0.1 million (equivalent to approximately HK\$0.9 million) and approximately US\$3.8 million (equivalent to approximately HK\$29.4 million) respectively. For the year ended 31 December 2018 and the four months ended 30 April 2019, we incurred Listing expenses of approximately US\$0.3 million (equivalent to approximately HK\$2.2 million) and US\$0.8 million (equivalent to approximately HK\$6.4 million) respectively. By the completion of the Global Offering, we expect to incur the remaining Listing expenses of approximately US\$2.7 million (equivalent to approximately HK\$20.8 million), of which an estimated amount of US\$1.2 million (equivalent to approximately HK\$9.5 million) is to be recognised as expenses and the balance is expected to be accounted for as a deduction of equity.

### CUSTOMERS

We provide end-to-end supply chain services encompassing product development through production management to distribution logistics to our customers, which are primarily notable digitally native brands such as “Everlane” and platforms such as “Stitch Fix” as well as conventional premium brands such as “AllSaints”, “Boden”, “Theory”, “Vince” and “Vineyard Vines” across the U.S., Europe and APAC. During the Track Record Period, we had dedicated resources and efforts on high growth customers leading to significant increase in revenue contribution from digitally native customers. Our top five customers by revenue contribution for 2016, 2017, 2018 and the four months ended 30 April 2019 together contributed approximately 57.5%, 59.0%, 66.1% and 68.6% or approximately US\$57.8 million, US\$59.5 million, US\$76.5 million and US\$25.5 million of our total revenue respectively. In particular, out of our top five customers in 2018 and the four months ended 30 April 2019, two were digitally native brands and platforms, compared to one in 2016 and 2017 respectively.

Going forward, we intend to strengthen our relationship with existing customers and acquire new customers by utilising a more proactive approach, including expansion of apparel category portfolio offered by way of acquisition and development of a B2B online platform, details of which are set out in the paragraphs headed “VIII. Sales and marketing” and “Use of proceeds” under the sections headed “Business” and “Future plans and use of proceeds” starting from pages 129 and 242 of this prospectus respectively.

### SUPPLIERS

Our suppliers consist of raw material suppliers and contract manufacturers. To abide by our versatile business model, we do not maintain our own production facilities. Instead, we manage a multi-jurisdiction contract manufacturer network to produce apparel products for our customers. Leveraging on our past experience as an apparel manufacturer, we pass on our experience and technical knowledge to our contract manufacturers in order to better serve our customers. We also implement stringent control on our suppliers, details of which are set out in the paragraph headed “VI. Quality control” under the section headed “Business” starting from page 121 of this prospectus. Our top five suppliers in 2016, 2017, 2018 and the four months ended 30 April 2019 accounted for approximately 38.8%, 44.3%, 46.3% and 37.4% or approximately US\$31.8 million, US\$33.7 million, US\$39.6 million and US\$10.0 million of our total cost of sales respectively.

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## SUMMARY

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### RISK FACTORS

There are risks associated with any investment and the material risks pertaining to our business are (i) our success being dependent on our customers' ability to market and sell their products; (ii) having no long-term purchase commitments from our customers, as is customary in our industry, may subject us to uncertainty and revenue volatility from period to period; (iii) our reliance on third party contract manufacturers for the manufacturing of apparel products; and (iv) our customers relying on our ability to respond to changes in end consumers' preferences in a timely manner. For further details, please refer to the section headed "Risk factors" starting from page 32 of this prospectus.

### SINO-U.S. TRADE WAR

As at the Latest Practicable Date, there is an on-going trade war between China and the U.S. with a number of new tariffs announced by both sides. In particular, the U.S. has imposed a 15.0% tariff on US\$300 billion of Chinese goods, including garment products, in August 2019, effective from September 2019. In respect of such event, our Directors have not observed any material impact on our Group's operations and financial conditions for 2019 up to the Latest Practicable Date and believe that the Sino-U.S. trade war will not have material adverse impact on our Group considering (i) our Group's versatile business model with multi-jurisdiction contract manufacturer network across Vietnam, Cambodia and Indonesia provides alternative production venues for our U.S. customers to shift their production to neighbouring countries to avoid the increase in production costs in order to mitigate the impact of the Sino-U.S. trade war; (ii) an increasing number of our customers are also becoming increasingly adaptive to contract manufacturers based in countries other than China, for example, Vietnam and have added such Vietnam-based contract manufacturers into their list of approved manufacturers; (iii) there had not been any material change to the non-binding indicative seasonal projection provided by our customers for 2019; (iv) many of our customers with production exposure in China indicated their preference to gradually phase out China contract manufacturers in 2019 and 2020 rather than a swift exit; (v) revenue contribution from our U.S. customers (based on customers' headquarters' locations) increased for the first half of 2019 as compared to the same period in 2018; and (vi) there had not been any material adverse changes to the pricing, terms and conditions of orders due to the Sino-U.S. trade war up to the Latest Practicable Date based on the latest available information to our Group. Set out below is the breakdown of revenue from our U.S. customers by contract manufacturers' location for the year ended 31 December 2018 and the four months ended 30 April 2019 (which clearly demonstrates our efforts to diversify our contract manufacturer base and mitigate against geo-political risks).

	<b>Year ended 31 December 2018</b>		<b>Four months ended 30 April 2019</b>	
	<b>Revenue</b>		<b>Revenue</b>	
	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>
Greater China	52,974	66.6	14,478	52.6
Vietnam	26,589	33.4	12,643	45.9
Indonesia	—	—	407	1.5
<b>Total</b>	<b>79,563</b>	<b>100.0</b>	<b>27,528</b>	<b>100.0</b>

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## SUMMARY

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Our Directors believe that our Group’s multi-jurisdiction contract manufacturing network puts our Group in an advantageous position compared to supply chain solution providers with contract manufacturer network only in China. In addition, according to Frost & Sullivan, the Sino-U.S. trade war has minimal impact on our Group, and may further drive additional businesses to our Group from other apparel supply chain solutions provider which does not offer any alternatives to Chinese manufacturing.

### SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the combined statements of profit or loss and other financial information during the Track Record Period as derived from the Accountants’ Report, the full text of which is set out in Appendix I to this prospectus. This summary should be read in conjunction with the aforesaid Accountants’ Report and the section headed “Financial information” starting from page 184 of this prospectus.

#### Summary of combined statements of profit or loss and other comprehensive income

	Year ended 31 December			Four months ended 30 April	
	2016 US\$'000	2017 US\$'000	2018 US\$'000	2018 US\$'000 <i>(unaudited)</i>	2019 US\$'000
Revenue	100,596	100,795	115,886	34,985	37,203
Cost of sales	<u>(82,177)</u>	<u>(76,098)</u>	<u>(85,626)</u>	<u>(26,125)</u>	<u>(26,738)</u>
<b>Gross profit</b>	18,419	24,697	30,260	8,860	10,465
Other income	387	132	448	68	100
Other gains and losses <sup>(Note 1)</sup>	1,857	7	(162)	2	(33)
Selling and distribution expenses	(7,635)	(10,920)	(13,201)	(3,774)	(4,460)
Administrative expenses	(8,130)	(7,951)	(8,780)	(2,957)	(3,283)
Finance costs	(485)	(528)	(560)	(151)	(254)
Listing expenses	–	–	(287)	–	(810)
<b>Profit before tax</b>	4,413	5,437	7,718	2,048	1,725
Income tax expense	<u>(496)</u>	<u>(941)</u>	<u>(1,254)</u>	<u>(306)</u>	<u>(347)</u>
<b>Profit for the year/period</b>	<u>3,917</u>	<u>4,496</u>	<u>6,464</u>	<u>1,742</u>	<u>1,378</u>
Gross profit margin	18.3%	24.5%	26.1%	25.3%	28.1%
Net profit margin	3.9%	4.5%	5.6%	5.0%	3.7%

## SUMMARY

Set out below are the revenue and gross profit breakdown by customer type and apparel category during the Track Record Period:

Customer type	Year ended 31 December						Four months ended 30 April													
	2016		2017		2018		2018		2019		2019									
	Revenue US\$'000	% of total revenue	Gross profit margin %	Revenue US\$'000	% of total revenue	Gross profit margin %	Revenue US\$'000	% of total revenue	Gross profit margin %	Revenue US\$'000	% of total revenue	Gross profit margin %								
Digitally native	22,256	22.1	3,959	17.8	35,180	34.9	8,635	24.5	53,653	46.3	14,147	26.4	13,910	39.8	3,780	27.2	17,820	47.9	5,851	32.8
Conventional																				
– Premium	61,052	60.7	11,466	18.8	54,829	54.4	13,942	25.4	53,238	45.9	13,928	26.2	16,139	46.1	3,906	24.2	16,732	45.0	4,004	23.9
– Moderate	17,288	17.2	2,994	17.3	10,786	10.7	2,120	19.7	8,995	7.8	2,185	24.3	4,936	14.1	1,174	23.8	2,651	7.1	610	23.0
Sub-total	78,340	77.9	14,460	18.5	65,615	65.1	16,062	24.5	62,233	53.7	16,113	25.9	21,075	60.2	5,080	24.1	19,383	52.1	4,614	23.8
<b>Total</b>	100,596	100.0	18,419	18.3	100,795	100.0	24,697	24.5	115,886	100.0	30,260	26.1	34,985	100.0	8,860	25.3	37,203	100.0	10,465	28.1
Apparel category	Year ended 31 December						Four months ended 30 April													
	2016		2017		2018		2018		2019		2019									
	Revenue US\$'000	% of total revenue	Gross profit margin %	Revenue US\$'000	% of total revenue	Gross profit margin %	Revenue US\$'000	% of total revenue	Gross profit margin %	Revenue US\$'000	% of total revenue	Gross profit margin %								
Shirts	52,343	52.1	10,538	20.1	47,405	47.0	12,933	27.3	53,012	45.8	14,913	28.1	16,112	46.1	4,687	29.1	18,982	51.0	5,926	31.2
Bottoms	22,746	22.6	3,669	16.1	28,540	28.3	6,429	22.5	27,976	24.1	7,016	25.1	10,163	29.0	2,427	23.9	10,072	27.1	2,490	24.7
Suit	17,035	16.9	2,804	16.5	15,315	15.2	3,508	22.9	20,030	17.3	5,312	26.5	4,967	14.2	1,094	22.0	4,373	11.7	1,251	28.6
Outerwear	6,602	6.6	1,221	18.5	6,975	7.0	1,565	22.4	11,133	9.6	2,599	23.3	2,535	7.2	516	20.3	1,879	5.1	396	21.1
Others <sup>(Note 2)</sup>	1,870	1.8	187	10.0	2,560	2.5	262	10.2	3,735	3.2	420	11.2	1,208	3.5	136	11.2	1,897	5.1	402	21.2
<b>Total</b>	100,596	100.0	18,419	18.3	100,795	100.0	24,697	24.5	115,886	100.0	30,260	26.1	34,985	100.0	8,860	25.3	37,203	100.0	10,465	28.1



## SUMMARY

### Key financial ratios<sup>(Note 3)</sup>

	As at/Year ended 31 December			As at/Four months ended 30 April	
	2016	2017	2018	2018	2019
Return on equity	43.5%	42.0%	48.0%	N/A	27.8%
Return on total assets	8.8%	10.8%	14.9%	N/A	9.8%
Current ratio	1.2 times	1.3 times	1.4 times	N/A	1.5 times
Quick ratio	0.7 times	0.7 times	0.9 times	N/A	0.9 times
Inventory turnover days	62.7 days	80.1 days	68.9 days	N/A	68.7 days
Debtors' turnover days	57.4 days	57.8 days	45.2 days	N/A	39.3 days
Creditors' turnover days	65.6 days	86.5 days	62.8 days	N/A	57.5 days
Gearing ratio <sup>(Note 4)</sup>	116.0%	71.3%	53.6%	N/A	52.9%
Debt to equity ratio	95.5%	44.2%	30.3%	N/A	16.6%
Interest coverage	10.1 times	11.3 times	14.8 times	14.6 times	7.8 times

#### Notes:

- The significant gain in 2016 of approximately US\$2.0 million was attributable to the gain on disposal of our former wholly-owned subsidiary, Glad Garments, which was partially offset by net exchange loss during the year. The other gains and losses in 2017 and 2018 was mainly attributable to net exchange gains or losses. For more details of the disposal, please refer to the paragraph headed "Relationship with the Glad Garments Group" under the section headed "Business" of this prospectus.
- Others include athleisure, cut-and-sewn knit, soft wovens and denim.
- Please refer to the paragraph headed "8. Key financial ratios" under the section headed "Financial information" starting from page 219 of this prospectus for the calculation of financial ratios.
- Gearing ratio was calculated based on the total debts (bank borrowings and amount due to a Director) divided by the total equity as at the end of each respective year. Total debts are defined to include payables incurred not in the ordinary course of business.

### Revenue

Our Group's revenue was derived from the supply of multi-category apparel products to our customers with product development through production management to distribution logistics.

Our Group recorded similar revenue in 2017 compared to 2016, which was mainly due to the increase in revenue generated from digitally native customers of approximately US\$12.9 million, being offset by the decrease in revenue generated from conventional brands of approximately US\$12.7 million. This trend is incidental to our conscious decision to dedicate more resources on high growth and digitally native customers given the rising prevalence of e-commerce. From 2016 to 2017, we recorded a general decrease in sales volume and a general increase in average selling price for our shirts, bottoms, suit and outerwear as our Group strategically reduced the purchase orders from conventional brands with low margin while continued to target customers with higher priced products. However, we recorded an increase in sales volume and a decrease in average selling price for others, which was mainly attributable to our strategy to expand into a new apparel category, namely cut-and-sewn knit which has generally lower average selling price.

For 2018, our revenue increased by approximately 15.0% from 2017 to approximately US\$115.9 million. During 2018, revenue derived from digitally native customers recorded a further increase of approximately 52.5%, reaching approximately US\$53.7 million or 46.3% of our total revenue. Such increase once again corresponded to our business strategies to focus on high growth customers. The sales volume and average selling price of our suit experienced a growth during the year. This rise was mainly due to increased purchase orders of higher priced products with more value-added services from our two key digitally native customers. Although our outerwear recorded a growth in sales volume, its average selling price experienced a drop, which resulted from the increased purchase orders from customers on basic style products with relatively lower selling price. The further increase in sales volume of others during the year was mainly due to the increased sales orders of our soft wovens and our



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## SUMMARY

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continued expansion into additional apparel categories, such as athleisure and denim while the decrease in the average selling price resulted from the increased portion of orders in basic style soft wovens with a relatively lower selling price.

Our Group recorded an increase in revenue of approximately 6.3% from approximately US\$35.0 million for the four months ended 30 April 2018 to approximately US\$37.2 million for the four months ended 30 April 2019. We recorded a rise in revenue generated from digitally native customers of approximately US\$3.9 million, or 28.1% for the four months ended 30 April 2019, which is mainly due to our continuing efforts in targeting customers with high growth potential and more attractive margins. During the four months ended 30 April 2019, our Group recorded a significant growth in revenue from others of approximately 57.0%, which is consistent with our strategy to expand our additional apparel categories, such as athleisure, cut-and-sewn knit, soft wovens and denim. Owing to the U.S. being the international hub for digitally native brands and platforms, U.S. based customers were our largest revenue contributor during the Track Record Period, accounting for over 60.0% of our revenue throughout the Track Record Period.

### **Gross profit**

Our Group's gross profit and gross profit margin grew from approximately US\$18.4 million and 18.3% for 2016 to approximately US\$24.7 million and 24.5% for 2017, then to approximately US\$30.3 million and 26.1% for 2018. Our gross profit and gross profit margin also increased from approximately US\$8.9 million and 25.3% for the four months ended 30 April 2018 to approximately US\$10.5 million and 28.1% for the four months ended 30 April 2019 respectively. Our strategic focus on digitally native brands and platforms as well as conventional premium brands from which we were able to command higher gross profit margins than conventional moderate brands resulted in continuous improvement in our gross profit and gross profit margin throughout the Track Record Period. The significant increase in our gross profit and gross profit margin in 2017 was further enhanced by the disposal of our own manufacturing arm in 2016, which corresponded to our strategy to move away from the traditional self-operated manufacturing model in the face of rising costs, resulting in an overall decrease in our cost of sales in 2017.

Our gross profit margin of digitally native brands and platforms of approximately 17.8%, 24.5%, 26.4%, 27.2% and 32.8% and conventional premium brands of approximately 18.8%, 25.4%, 26.2%, 24.2% and 23.9% were higher than that of conventional moderate brands of approximately 17.3%, 19.7%, 24.3%, 23.8% and 23.0% for each of the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019 respectively. In 2018 and the four months ended 30 April 2019, the gross profit margin of our digitally native customers was the highest among all customer types, which is in line with our strategy to target customers with high growth potential and more attractive margins, which were mainly digitally native brands and platforms. Our gross profit margin for all apparel categories generally improved during the Track Record Period. In particular, our bottoms and suit experienced a significant increase from approximately 16.1% to 25.1% and approximately 16.5% to 26.5% respectively from 2016 to 2018 with our shirts recorded the highest gross profit margin among all apparel categories at approximately 20.1%, 27.3%, 28.1%, 29.1% and 31.2% for each of the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019 respectively. For further details, please refer to the paragraph headed "5.3 Gross profit and gross profit margin" under the section headed "Financial information" starting from page 196 of this prospectus.

### **Net profit**

During the Track Record Period, despite our increasing adjusted net profits during the same period as presented below, we operated with a thin net profit margin. From 2016 to 2018, we recorded an increase in our profit for the year with a CAGR of approximately 28.5%. The increase was mainly attributable to the increase in gross profit with a CAGR of approximately 28.2% while the selling and distribution expenses and administrative expenses of our Group, mainly consisting of staff costs, grew only slightly compared to our gross profit growth. The drop in profit for the period and net profit margin for the four months ended 30 April 2019 compared to the corresponding period in 2018 was mainly due to the non-recurring Listing expenses during the period.



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## SUMMARY

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### Non-HKFRS measure

	Year ended 31 December			Four months ended	
	2016 US\$'000	2017 US\$'000	2018 US\$'000	30 April 2018 US\$'000 (Unaudited)	2019 US\$'000
<b>Profit for the year/period</b>	<b>3,917</b>	<b>4,496</b>	<b>6,464</b>	<b>1,742</b>	<b>1,378</b>
Adjusted for:					
Gain on disposal of subsidiaries	(2,012)	–	–	–	–
Listing expenses	–	–	287	–	810
<b>Non-HKFRS measure: Adjusted profit for the year/period</b>	<b>1,905</b>	<b>4,496</b>	<b>6,751</b>	<b>1,742</b>	<b>2,188</b>
<b>Non-HKFRS measure: Adjusted net profit margin</b>	<b>1.9%</b>	<b>4.5%</b>	<b>5.8%</b>	<b>5.0%</b>	<b>5.9%</b>

To supplement the consolidated financial statements of our Group prepared in accordance with HKFRS, the non-HKFRS measures, namely adjusted profit for the year/period and adjusted net profit margin have been presented in this prospectus. These unaudited non-HKFRS financial measures should be considered in addition to, not as a substitute for, measures of our Group's financial performance prepared in accordance with HKFRS. Our Directors believe that the presentation of non-HKFRS financial measures when shown in conjunction with the corresponding HKFRS measures provides useful information to prospective investors regarding financial and business trends relating to our financial conditions and results of operations that could otherwise be distorted by eliminating the impact of items that we do not consider indicative of the performance of our ordinary business and/or which we do not expect to be outstanding or recurring subsequent to the Listing.

After adjusting for the one-off gain on disposal of subsidiaries in 2016 of approximately US\$2.0 million, we recorded adjusted profit for the year of approximately US\$1.9 million and adjusted net profit margin of approximately 1.9% in 2016. For 2018 and the four months ended 30 April 2019, we recorded adjusted profit for the year/period of approximately US\$6.8 million and US\$2.2 million and adjusted net profit margin of approximately 5.8% and 5.9% respectively after adding back the non-recurring Listing expenses to the profit for the year/period. For further details, please refer to the paragraph headed "5.10 Profit for the year/period" under the section headed "Financial information" starting from page 203 of this prospectus.

### Net current assets

Our Group's net current assets increased from approximately US\$7.6 million as at 31 December 2016 to approximately US\$9.0 million as at 31 December 2017. The rise was mainly attributable to the drop in our bank borrowings and trade and bills payables, partially offset by the presence of dividend payable as at 2017 year end.

Our net current assets further increased from approximately US\$9.0 million as at 31 December 2017 to approximately US\$11.9 million as at 31 December 2018, representing growth of approximately 33.3%, mainly due to the further rise in trade and bills receivables and bank balances and cash. The improvement in our net asset position was generally in line with the overall expansion of our business operations. Our net current asset position further rose to approximately US\$13.3 million as at 30 April 2019 as we recorded a higher balance of deposits, prepayments and other receivables and lower balance of trade and bills payables, compared to 31 December 2018.

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## SUMMARY

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### Sensitivity analysis on foreign currency fluctuation risk

Our reporting and functional currency is US\$ whilst some of our business transactions are dominated in various other currencies, primarily RMB and HK\$. Although HK\$ is pegged to US\$, we are still exposed to risk associated with exchange rate fluctuation between RMB and US\$. Approximately 14.0%, 9.9%, 5.9%, 11.2% and 6.2% of our total revenue and approximately 30.4%, 22.1%, 14.2%, 11.2% and 11.2% of our total cost of sales were dominated in RMB for each of the three years ended 31 December 2018 and four months ended 30 April 2018 and 2019 respectively. As such, we have carried out an analysis on the sensitivity of our Group's profit after tax to fluctuation of 5.0% in EUR, GBP, JPY and RMB, which is set out in the paragraph headed "Sensitivity analysis on foreign currency exchange risks" under the section headed "Financial information" on page 229 of this prospectus.

### OFFER STATISTICS

	<b>Based on the minimum indicative Offer Price of HK\$0.85 per Share</b>	<b>Based on the maximum indicative Offer Price of HK\$1.05 per Share</b>
<b>Market capitalisation</b> <sup>(Note 1)</sup>	HK\$544,000,000	HK\$672,000,000
<b>Unaudited pro forma adjusted combined net tangible assets per Share</b> <sup>(Note 2)</sup>	US\$0.046 (equivalent to HK\$0.36)	US\$0.053 (equivalent to HK\$0.41)

*Notes:*

1. The calculation of market capitalisation of our Company is based on 640,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme).
2. The unaudited pro forma adjusted combined net tangible assets per Share as at 30 April 2019 is arrived after the adjustments set out in Appendix II to this prospectus and on the basis that 640,000,000 Shares were in issue assuming the Global Offering and the Capitalisation Issue had been completed on 30 April 2019 (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme).

### RECENT DEVELOPMENTS

For the four months ended 31 August 2019, our total revenue remained stable as compared to the average monthly revenue for the four months ended 30 April 2019. In respect of recent geopolitical events including (i) the imposition of 15.0% tariff on US\$300.0 billion of Chinese goods in August 2019, effective from 1 September 2019; (ii) the uncertainty surrounding the United Kingdom's withdrawal from the EU; and (iii) the U.S. and North Korea agreeing to restart talks following the meeting in the demilitarised zone in June 2019, our Directors have not observed any material adverse impact on our Group's operations and financial conditions for 2019 up to the Latest Practicable Date and believe the aforementioned events will not have material adverse impact on our Group given our versatile business model and our customers' adaptability to these geopolitical events. For further details, in particular the Sino-U.S. trade war, please refer to the paragraph headed "Sino-U.S. trade war" under this section.

However, there is no assurance as to how the aforementioned geopolitical events or the global economic sentiment may develop and such impact may or may not have material adverse impact on our Group's operations and financial conditions after 2019. For further details, please refer to the paragraph headed "Increased inspection procedures, tighter import and export controls and additional trade restrictions could increase our operation costs and effect our operation and financial results" under the section headed "Risk factors" on page 41 of this prospectus. As at 31 August 2019 (being the latest practicable date to ascertain such information), we had secured sales orders which are expected to be recognised as revenue in full in 2019 of approximately US\$38.6 million, of which approximately US\$26.5 million are from U.S. customers.

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## SUMMARY

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Our Directors currently expect and prospective investors should note that the financial performance of our Group for 2019 will be materially and adversely affected by (i) Listing expenses described in the paragraph headed “Listing expenses” under this section; (ii) expenses (including depreciation on computer hardwares) related to the B2B platform and ERP system as detailed in the paragraph headed “Future plans and use of proceeds” under this section; and (iii) post Listing expenses (such as compliance costs, additional Directors’ fees and professional fees for advisers) to be incurred upon our Listing. Other than this, our Directors confirmed that there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this prospectus. As far as we are aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial conditions materially and adversely as at the Latest Practicable Date.

### **DIVIDEND POLICY**

We declared dividends of nil, HK\$30.0 million (equivalent to approximately US\$3.8 million, HK\$25.0 million (equivalent to approximately US\$3.2 million) and nil for each of the three years ended 31 December 2018 and four months ended 30 April 2019 respectively. The dividend declared in 2018 had been fully settled as at the Latest Practicable Date. Our Directors intend to strike a balance between maintaining sufficient capital to grow the business and rewarding the Shareholders. According to our dividend policy, when deciding whether to propose a dividend and in determining the dividend amount, our Board will take into account, inter alia, our Group’s (i) general financial conditions; (ii) actual and future operations and liquidity positions; (iii) future cash requirements and availability; (iv) restrictions on payment of dividends that may be imposed by our Group’s lenders; (v) general market conditions; and (vi) any other factors which they may deem appropriate at such time.

Past dividends should not be regarded as an indication of the future dividends to be declared by our Group following the Listing. Our Directors will review the dividend policy from time to time and may exercise at our sole and absolute discretion to update, amend and/or modify the dividend policy at any time as it deems fit and necessary.

### **THE SELLING SHAREHOLDER**

The International Placing comprises 155,520,000 Shares, of which 12,800,000 Shares are being offered for sale by the Selling Shareholder. Assuming an Offer price of HK\$0.95 per Offer Share (being the mid-point of the indicative Offer Price range of HK\$0.85 to HK\$1.05 per Offer Share), we estimate that the Selling Shareholder will receive net proceeds of approximately HK\$11.2 million (equivalent to approximately US\$1.4 million) after deduction of the proportional estimated expenses, underwriting commission, brokerage fee, SFC transaction levy, trading fees on the Stock Exchange and any stamp duty payable by the Selling Shareholder in relation to the Global Offering. Our Company will not receive any proceeds raised from the Sale Shares. Please refer to the paragraph headed “24. Particulars of the Selling Shareholder” under the section headed “Statutory and general information” in Appendix IV to this prospectus for further details.

### **SHAREHOLDERS’ INFORMATION**

Immediately after the Capitalisation Issue and Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme), Lever Style Holdings and Fung Trinity Holdings Limited will be holding approximately 47.76% and 14.41% of the enlarged issued share capital of our Company respectively. Lever Style Holdings, Mr. Szeto, Ms. Fong Tong and Imaginative Company Limited will be our Controlling Shareholders for the purpose of the Listing Rules. For further details of the continuing connected transactions our Group will undertake with our Controlling Shareholders upon Listing, which are fully exempt from disclosure requirements, please refer to the section headed “Connected transactions” on page 178 of this prospectus.

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## DEFINITIONS

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*Unless the content otherwise requires, the following expressions shall have the following meanings in this prospectus.*

“Altus” or the “Sponsor”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the sponsor for the Listing
“APAC”	the Asia Pacific region. For the purposes of this prospectus, the geographical reference to APAC covers Asia and Oceania
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s) or where the context so requires, any of them to be used in connection with the Hong Kong Public Offering
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted on 12 October 2019 with effect from the Listing Date, and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in the paragraph headed “2. Articles of Association” in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)” or “business day(s)”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 479,980,000 Shares to be made upon capitalisation of the sum of HK\$4,799,800 standing to the credit of the share premium account of our Company on the Listing Date as referred to in the paragraph headed “4. Resolutions in writing of the Shareholders passed on 12 October 2019” in Appendix IV to this prospectus

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## DEFINITIONS

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“Cayman Companies Law” or “Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System
“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as a direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as a 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)
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (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
“Companies Registry”	the Companies Registry of Hong Kong

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## DEFINITIONS

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“Company”	Lever Style Corporation (利華控股集團), an exempted company incorporated in the Cayman Islands with limited liability on 27 February 2019 and registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance on 29 March 2019, being the holding company of our Group and the vehicle for the Listing
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and, in the context of this prospectus, means Mr. Szeto, Ms. Fong Tong, Imaginative Company Limited and Lever Style Holdings
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Crosby” or “Sole Global Coordinator”	Crosby Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the sole global coordinator, a joint bookrunner and a joint lead manager of the Global Offering
“Deed of Indemnity”	the deed of indemnity dated 12 October 2019 executed by our Controlling Shareholders as indemnifiers in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in the paragraph headed “Other information – 15. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 12 October 2019 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in the paragraph headed “Deed of non-competition” under the section headed “Relationship with our Controlling Shareholders” of this prospectus
“Director(s)”	the director(s) of our Company

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## DEFINITIONS

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“Dr. Chan”	Dr. Chan Yuk Mau Eddie, an executive Director and the chief executive officer of our Company
“electronic application instruction(s)”	instruction(s) given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Hong Kong Offer Shares
“Euford Enterprises”	Euford Enterprises Company Limited, a limited liability company incorporated in Hong Kong on 18 May 1956 and an indirect wholly-owned subsidiary of our Company
“European Union” or “EU”	the political-economic union of 28 member states that are located in Europe
“Frost & Sullivan”	Frost & Sullivan International Limited, an independent market research company
“Frost & Sullivan Report”	the independent industry report prepared by Frost & Sullivan and commissioned by our Company, the summary of which is set out under the section headed “Industry overview” of this prospectus
“Glad Garments”	Glad Garments (Shenzhen) Co. Ltd* (佳智服飾(深圳)有限公司), a limited liability company established in the PRC on 18 October 2001 and a former wholly-owned subsidiary of our Group
“Glad Garments Group”	the group of entities comprising of (i) Glad Garments; (ii) Lever Trend (Shenzhen) Co., Ltd.* (利華成衣(深圳)有限公司); and (iii) Chengtian Apparel (Shenzhen) Co., Ltd.* (成田服飾(深圳)有限公司), together with Jadestar Investment Limited and Enos Limited (being investment holding entities)
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Greater China”	the region comprising the PRC, Hong Kong, Macau Special Administrative Region and Taiwan
“ <b>GREEN</b> Application Form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider



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## DEFINITIONS

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“Group” “our Group”, “we”, “us” or “our”	our Company together with our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“ <b>HK eIPO White Form</b> ”	the application form(s) for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the <b>HK eIPO White Form</b> Service Provider at <i>www.hkeipo.hk</i>
“ <b>HK eIPO White Form</b> Service Provider”	the <b>HK eIPO White Form</b> Service Provider designated by our Company, as specified on the designed website at <i>www.hkeipo.hk</i>
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the share registrar of our Company in Hong Kong
“Hong Kong Offer Shares”	the 17,280,000 Shares initially being offered by our Company for subscription at the Offer Price under the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure and conditions of the Global Offering” of this prospectus)
“Hong Kong Public Offering”	the offer by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage, SFC transaction levy and Stock Exchange trading fees), subject to the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Underwriter(s)”	the underwriter(s) of the Hong Kong Public Offering named in the paragraph headed “Hong Kong Underwriters” under the section headed “Underwriting” of this prospectus

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## DEFINITIONS

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“Hong Kong Underwriting Agreement”	the conditional Hong Kong Underwriting Agreement dated 30 October 2019 relating to the Hong Kong Public Offering entered into by our Company, our Controlling Shareholders, our executive Directors, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, as further described under the section headed “Underwriting” of this prospectus
“Imaginative Company Limited”	Imaginative Company Limited, a limited liability company incorporated in BVI on 16 June 2003 which is wholly-owned by Mr. Szeto. Imaginative Company Limited is a Controlling Shareholder
“Independent Third Party(ies)”	person(s) or company(ies) which is (are) independent of and not connected (within the meaning of the Listing Rules) with any of our Directors, chief executive or substantial Shareholders of our Company or our subsidiaries or any of their respective associates
“International Placing”	the conditional placing of the International Placing Shares at the Offer Price to professional, institutional, individual and other investors subject to the terms and conditions as described in this prospectus and the International Placing Agreement
“International Placing Agreement”	the conditional international placing agreement expected to be entered into on or about the Price Determination Date by our Company, the Selling Shareholder, our Controlling Shareholders, our executive Directors, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters as further described under the section headed “Underwriting” of this prospectus

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## DEFINITIONS

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“International Placing Shares”	the 155,520,000 Shares (comprising 142,720,000 New Shares being initially offered by our Company for subscription and 12,800,000 Sale Shares being initially offered by the Selling Shareholder) at the Offer Price under the International Placing (subject to reallocation together with, where relevant, any additional shares which may be allotted and issued by our Company pursuant to the Over-Allotment Option, as described under the section headed “Structure and conditions of the Global Offering” of this prospectus)
“International Underwriter(s)”	the underwriter(s) who are expected to enter into the International Placing Agreement to underwrite the International Placing Shares
“Joint Bookrunner(s)” or “Joint Lead Manager(s)”	Crosby, China Tonghai Securities Limited, Shanxi Securities International Limited and CMBC Securities Company Limited, the joint bookrunners and joint lead managers of the Global Offering
“Latest Practicable Date”	21 October 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Lever Apparel”	Lever Apparel Limited (利華服裝有限公司), a limited liability company incorporated in Hong Kong on 27 May 1969 and an indirect wholly-owned subsidiary of our Company
“Lever Garment”	Lever Garment Limited (利華成衣(集團)有限公司), a limited liability company incorporated in Hong Kong on 4 April 2001 and an indirect wholly-owned subsidiary of our Company
“Lever Shirt”	Lever Shirt Limited (利華(成衣)有限公司), a limited liability company incorporated in Hong Kong on 18 May 1956 and an indirect wholly-owned subsidiary of our Company
“Lever Shirt Holdings”	Lever Shirt Holdings Limited, a limited liability company incorporated in the BVI on 7 February 2002 and an indirect wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Lever Style Holdings”	Lever Style Holdings Limited, a limited liability company incorporated in the BVI on 7 February 2002 which is beneficially owned as to 14.0% and 86.0% by Ms. Fong Tong and Imaginative Company Limited. Lever Style Holdings is a Controlling Shareholder
“Levertex Company”	Levertex Company Limited, a limited liability company incorporated in Hong Kong on 21 February 1986 and an indirect wholly-owned subsidiary of our Company
“Listing”	the listing of our Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date, expected to be on or around Wednesday, 13 November 2019, on which our Shares are first listed on the Stock Exchange and from which dealings thereof are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, adopted on 12 October 2019 and as amended or otherwise modified from time to time; a summary of which is set out in the paragraph headed “Memorandum of Association” in Appendix III to this prospectus
“Ms. Fong Tong”	Ms. Fong Tong, a 14.0% shareholder of Lever Style Holdings Limited, a Controlling Shareholder and mother of Mr. Szeto
“Mr. Lee”	Mr. Lee Yiu Ming, an executive Director and the chief financial officer of our Company
“Mr. Szeto” or “Chairman”	Mr. Szeto Chi Yan Stanley, our Chairman, an executive Director and a Controlling Shareholder of our Company

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## DEFINITIONS

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“New Shares”	the 160,000,000 new Shares to be initially offered for subscription at the Offer Price under the Global Offering
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$1.05 per Offer Share and is expected to be not less than HK\$0.85 per Offer Share, which will be determined by agreement between our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or around the Price Determination Date
“Offer Share(s)”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares to be allotted and issued by our Company pursuant to the exercise of the Over-Allotment Option
“Over-Allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters, pursuant to the International Placing Agreement, for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 25,920,000 additional new Shares (representing in aggregate 15% of the initial Offer Shares) to cover over-allocations in the International Placing, if any, as further described in the paragraph headed “Over-Allotment Option and stabilisation” under the section headed “Structure and conditions of the Global Offering” of this prospectus
“Plazzo Ltd.”	Plazzo Limited (標星製衣有限公司), a limited liability company incorporated in Hong Kong on 17 March 1987 and an indirect wholly-owned subsidiary of our Company
“PRC” or “China”	the People’s Republic of China, but for the purposes of this prospectus and unless otherwise indicated, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

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## DEFINITIONS

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“Price Determination Agreement”	the agreement to be entered into between our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or around the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date on which the Offer Price will be determined under the Price Determination Agreement, which is expected to be on or around Wednesday, 6 November 2019 or such other date as may be agreed between our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters)
“Principal Share Registrar”	Conyers Trust Company (Cayman) Limited, the Cayman Islands share registrar of our Company
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the restructuring of our Group in preparation for the Listing, details of which are set out in the paragraph headed “Reorganisation” under the section headed “History, Reorganisation and Group structure” of this prospectus
“Sale and Purchase Agreement”	the sale and purchase agreement dated 8 April 2019 entered into among Lever Style Holdings, Fung Trinity Holdings Limited, Dr. Chan, Mr. Yuen Kam Sun, Mr. Lee, Ms. Haruko Enomoto and Mr. Andersen Dee Allen and our Company in relation to the transfer of all the issued share capital of Lever Style Inc. to our Company in consideration of our Company issuing and allotting 6,368 Shares, 2,188 Shares, 500 Shares, 443 Shares, 300 Shares, 135 Shares and 66 Shares to Lever Style Holdings, Fung Trinity Holdings Limited, Dr. Chan, Mr. Yuen Kam Sun, Mr. Lee, Ms. Haruko Enomoto and Mr. Andersen Dee Allen respectively, all credited as fully paid
“Sale Shares”	the 12,800,000 Offer Shares to be offered for sale by the Selling Shareholder at the Offer Price under the Global Offering

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## DEFINITIONS

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“Selling Shareholder”	Fung Trinity Holdings Limited, which owns the Sale Shares, particulars of which are set out in the paragraph headed “24. Particulars of the Selling Shareholder” in Appendix IV to this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the issued share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Share Option Scheme”	the share option scheme conditionally adopted by our Shareholders on 12 October 2019, the principal terms of which are summarised in the paragraph headed “14. Share Option Scheme” in Appendix IV to this prospectus
“Stabilising Manager”	Crosby
“Stamp Duty Ordinance”	Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between the Stabilising Manager and Lever Style Holdings, pursuant to which the Stabilising Manager (or its affiliates or any persons acting for it) may borrow up to 25,920,000 Shares to cover any over-allocation in the International Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules, unless the context otherwise requires
“substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended supplemented or otherwise modified from time to time



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## DEFINITIONS

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“Topsun Garment”	Topsun Garment Limited (聯邦製衣有限公司), a limited liability company incorporated in Hong Kong on 26 February 1975 and an indirect wholly-owned subsidiary of our Company
“Track Record Period”	the three years ended 31 December 2018 and the four months ended 30 April 2019
“Trading Day”	a day on which trading of our Shares takes place on the Stock Exchange
“TTL Manufacturing Ltd.”	TTL Manufacturing Limited, a limited liability company incorporated in the BVI on 8 December 2006 and an indirect wholly-owned subsidiary of our Company
“Underwriter(s)”	the Hong Kong Underwriter(s) and the International Underwriter(s)
“Underwriting Agreement(s)”	the Hong Kong Underwriting Agreement and the International Placing Agreement
“United Kingdom” or “U.K.”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “U.S.”	The United States of America, including its territories and possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933 and the rules and regulations promulgated thereunder, as amended, supplemented or otherwise modified from time to time
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s/applicants’ own name(s)
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
“EUR”	Euros, the lawful currency adopted by the 19 member states (the Eurozone) of the European Union
“GBP”	Pound Sterling, the lawful currency of the United Kingdom

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## DEFINITIONS

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“HK\$”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“JPY”	Japanese Yen, the lawful currency of Japan
“PKR”	Pakistani Rupee, the lawful currency of Pakistan
“RMB”	Renminbi yuan, the lawful currency of the PRC
“US\$”	United States of America dollars, the lawful currency of the United States
“VND”	Vietnamese dong, the lawful currency of Vietnam
“sq.m.”	square metre
“%”	per cent.

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

*Unless the context requires otherwise, the translation of US\$ into HK\$ in this prospectus have been based on the exchange rates of US\$1.00 to HK\$7.84. No representation is made that any amounts in US\$ can be or could have been converted into HK\$ at the related dates at the above rates or any other rates or at all.*

*In this prospectus, if there is any inconsistency between English names and their Chinese translations, the English names shall prevail. The English titles marked with “\*” are unofficial English translations of the titles of natural persons, legal persons or entities, governmental authorities, institutions, laws, rules, regulations and other entities for which no official English translation exists. These titles are for identification purpose only.*

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## GLOSSARY OF TECHNICAL TERMS

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This section sets out the glossary list of certain terms and definitions used in this prospectus in connection to our Group's business and operations. The terms and their meanings may not correspond to the standard industry meanings, calculations or usage of those terms.

“AQL”	the Acceptable Quality Level standard which is a quality inspection standard used internationally in the apparel industry to examine the quality of finished products. The standard refers to the maximum number of defects that could be considered acceptable during the random sampling of an inspection
“athleisure”	apparel combining casual apparel design with the functionality of sportswear and outdoor apparel
“bottoms”	garments that are worn on the lower part of the body including shorts, trousers and skirts, excluding jeans
“brick & mortar”	business with physical stores
“bulk production”	final production of apparel products in accordance with customers' order size, specifications and requirements, which can be in small or large batches
“B2B”	commerce between two businesses
“B2C”	commerce between a business and retail customers
“CAGR”	compound annual growth rate
“conventional brands”	brands which are not digitally native brands or digitally native platforms
“cut-and-sewn knit”	apparel produced by cutting knitted fabric into panels and sewing them together to form an apparel, such as t-shirts, polo shirts and fleece
“denim”	a hard-wearing cotton twill fabric, typically blue and used for jeans and other clothing
“Developing Asia”	the developing and emerging countries in Asia including countries, such as China, India, Malaysia, Philippines, Thailand, Vietnam, Cambodia and Bangladesh, according to the International Monetary Fund
“digitally native”	fashion brands/platforms that launch as web-only retailers and typically serve a niche market and to its specific needs

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## GLOSSARY OF TECHNICAL TERMS

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“ERP”	enterprise resource planning
“fashion design”	the plan of garment on its visual appearance, including, among others, its colour, shape, line and texture
“FOB”	free on board, under which, amongst other things, the cost and risk of products shift from the seller to the buyer when the goods are on board the vessel, and the buyer bears all costs from that moment onwards
“four-point system”	a visual examination of fabric, whereby defects in fabric 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
“FQC”	factory quality control, under which the customer will assist on setting up quality control system at its manufacturer’s factory
“LDP”	landed duty paid means that the seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport ready for unloading at the named place of destination. The seller bears all the costs and risks involved in bringing the goods to the place of destination and has an obligation to clear the goods not only for export but also for import, to pay any duty for both export and import and to carry out all customs formalities
“linen”	a textile made from the fibers of the flax plant
“luxury”	fashion brands that sell designer products which are typically rare and of supreme price and quality in specialty boutiques
“mass market”	the low end of the apparel spectrum with clothes, footwear and accessories that normally retail at relatively low price points, the manufacturing of which are often in large quantity and benefits from economic scale
“moderate”	fashion brands sell products of which price and quality fall into moderate category
“outerwear”	clothing worn outdoor and clothing designed to be worn over other clothes

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## GLOSSARY OF TECHNICAL TERMS

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“pattern”	a template from which the parts of a garment are traced onto fabric before being cut out and assembled
“premium”	fashion brands sell products of which price and quality are between the segments moderate and luxury
“prototype”	an initial sample of a garment which is developed to be tested and approved by the brands before the commencement of bulk production
“SCM”	supply chain management
“shirts”	a garment for the upper body made of cotton or a similar fabric, with a collar and sleeves, and with buttons down the front
“soft wovens”	a formal or dressy style in woven materials that is softly structured
“speed-to-market”	the time required for a company to launch certain products or services and make it available and/or deliver to its customer
“suit”	a set of outer clothes made of the same fabric and designed to be worn together, typically consisting of a jacket and trousers
“technical design”	the garment development process bridging the fashion design and production, including, among others, the production of patterns and prototypes, the compilation of technical packet as well as the formulation of production details on wash and ancillary materials, with a view to achieve the fashion design as intended by bulk production
“technical know-how”	the ability to produce patterns, prototypes and technical packages for a specific type of apparel category
“technical package”	the specification and quality control documents that are used to instruct the making of the garments
“virtual sampling”	a sampling method conducted electronically without the production of an actual prototype

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## FORWARD-LOOKING STATEMENTS

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### FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS MAY NOT MATERIALISE

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words “aim”, “anticipate”, “believe”, “consider”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought”, “plan”, “potential”, “predict”, “project”, “schedule”, “seek”, “should”, “target”, “will”, “would”, or similar expressions or the negative of these words or other similar expressions or statements, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- future development, trends and conditions in the industry and markets in which we operate;
- expansion, consolidation or other trends in the industries in which we operate;
- policies, regulations and restrictions in the PRC, Hong Kong or any other countries or territories that may affect the industries in which we operate;
- general political and economic conditions in the PRC, Hong Kong or any other countries or territories that may affect the industries in which we operate;
- exchange rate fluctuations and the developing legal system, in each case pertaining to the PRC and the industries and markets in which we operate;
- macroeconomic measures taken by the PRC and Hong Kong government to manage economic growth and general economic trends in the PRC and Hong Kong;
- our business prospects;
- our strategies, plans, objectives and goals;
- competition in our business activities and the actions and development of our competitors;
- financial conditions and performance of our Group;

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## FORWARD-LOOKING STATEMENTS

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- capital market development that includes the interest rate environment;
- our dividend payment, if any;
- changes to our expansion plans and use of capital expenditures;
- other statements in this prospectus that are not historical facts;
- our ability to successfully implement the business plans and strategies; and
- other factors beyond our Group's control.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and we have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are fake or misleading or that any fact has been omitted, which would render such forward-looking statements fake or misleading in any material respect.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, the Controlling Shareholders, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any other parties involved in the Global Offering or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially from those expressed or implied by the forward-looking statements include, but are not limited to, those discussed under the section headed "Risk factors" of this prospectus and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates and apply only as of the date they are made. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update or revise the forward-looking statements in this prospectus in light of new information, future events or otherwise. The forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and they are not a guarantee of future performance. We caution prospective investors that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement. Accordingly, prospective investors should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified with reference to the cautionary statements set forth under this section.

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



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## RISK FACTORS

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*Prospective investors should carefully consider all the information in this prospectus including the risks and uncertainties described below, prior to making an investment in the Global Offering. Prospective investors should pay particular attention to the fact that we conduct our operations in the PRC and Hong Kong are governed by the local legal and regulatory environment which in some respects may differ from that prevailing in other countries. The business, results of operations, financial conditions and prospects of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of the Shares could decline due to any of these risks and uncertainties, and prospective investors may lose all or part of your investment.*

### **A. RISKS RELATING TO BUSINESS AND OPERATIONS OF OUR GROUP**

#### **Our success depends on our customers' ability to market and sell their products**

All of our customers are fashion apparel brands. Consequently, our business and results of operations are directly affected by the demands for our customers' products. If the sales of our major customers' products decrease or do not grow as they expect, our customers may decrease the quantity or purchase price of their purchase orders, which could materially and adversely affect our business, financial conditions and results of operations.

#### **We do not have long-term purchase commitments from our customers, which may subject us to uncertainty and revenue volatility from period to period**

As is customary in our industry, we do not have long-term purchase commitments from our customers. Our customers' purchases are made on a purchase order basis, and it is difficult to forecast quantities of future purchase orders. For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, the revenue generated from our five largest customers represented approximately 57.5%, 59.0%, 66.1% and 68.6% of our total revenue respectively and the revenue generated from our largest customer represented approximately 20.3%, 28.0%, 33.5% and 27.3% of our total revenue respectively. Although most of our customers provide us with forecasts showing the expected overall volume of products they expect to order from us during the specified period, these order forecasts are non-binding and we are subject to reduced lead-times in purchase orders as customers may cancel or defer their orders, or alter the bulk or timing of their orders on short notice. We cannot assure you that the production volume or our customers' purchase orders will be consistent with our expectation when we plan for our expenditures. Cancellations, reductions or postponements of purchase orders by a major customer or by a group of customers could adversely affect business, financial conditions and our results of operations. If any of our major customers undergo deteriorating financial performance or liquidation and substantially reduce their orders with us, our business, financial conditions and our results of operations could also be adversely affected.

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### **We rely on third party contract manufacturers for the manufacturing of apparel products**

Substantially all of the apparel products we provided to our customers during the Track Record Period were produced by third party contract manufacturers located in China and Vietnam. Other than Supplier B, Supplier G and Supplier I (as defined in the paragraph headed “Top five suppliers during the Track Record Period” under the section headed “Business” of this prospectus, which are raw material suppliers), all of our five largest suppliers during the Track Record Period are contract manufacturers in the PRC and Vietnam (the “**Top Contract Manufacturers**”). For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, the cost of sales paid to the Top Contract Manufacturers represented approximately 35.6%, 40.7%, 39.4% and 26.2% of our cost of sales respectively. Our largest supplier throughout the Track Record Period was a contract manufacturer based in the PRC and the amounts paid to which accounted for approximately 22.9%, 22.5%, 24.4% and 16.3% of our cost of sales respectively. During the Track Record Period, except the arrangement with the Glad Garments Group (for details of this arrangement, please refer to the paragraph headed “IX. Suppliers” under the section headed “Business” of this prospectus), we did not enter into any long-term contract with contract manufacturers, and we engaged them on an as-needed basis depending on the individual needs and requirements of our customers. The terms of services provided by them may also be susceptible to fluctuations with regard to pricing, timing and quality. Any increase in production costs may be passed on to us; however we may not be able to pass on all or any part of the subsequent increase in costs to our customers, which may adversely affect our financial performance.

Furthermore, we cannot guarantee that we will be able to maintain business relationships with our major contract manufacturers or that there will not be any unfavourable changes in our current arrangements with our contract manufacturers, such as a substantial increment in price or a substantial reduction of quantities supplied. If we cannot locate alternative contract manufacturers for replacement in a timely manner and/or on comparable commercial terms, our business operation and profitability may be adversely affected. Moreover, during the manufacturing process, we may not be able to monitor the production quality of our contract manufacturers directly and effectively. If apparel products delivered by our contract manufacturers do not satisfy quality standards or our customers’ specifications, we may be forced to provide products to our customers on a delayed basis or cancel our product offering, either of which could harm our reputation and our relationships with our customers and potentially expose us to litigation and damage claims.

Moreover, we cannot guarantee that our contract manufacturers will be fully in compliance with the applicable laws and regulations stipulated in relevant jurisdictions, for instance, labour laws, nor can we assure you that they will fulfil the environment and social responsibility requirements set out by our Group and our customers. Their infringement of such laws and requirements may expose us to potential litigations, penalty, disputes with our customers and deterioration of our reputation, which could adversely affect our business, financial conditions and results of operation. Some of our customers perform annual audits on our contract manufacturers. If any of our contract manufacturers fail to comply with our customers’ requirements, we may be required by our customers to cease to allocate orders to

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## RISK FACTORS

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them and re-direct the unfulfilled orders to other contract manufacturers. This could delay our delivery of supply chain services and increase our costs, which may reduce our profitability. For details of our policy and procedures on control over our contract manufacturers, please refer to the paragraph headed “Selection of contract manufacturers” under the section headed “Business” of this prospectus.

**Our customers rely on our ability to respond to changes in end consumers’ preferences in a timely manner**

Our product development services include the provision of apparel product technical design services to our customers. Our Directors believe that our success is, to a significant extent, attributable to the ability of our Group’s design and development team to understand the respective apparel markets of our customers and develop the technical design for apparel products in line with our end consumers’ preferences. Due to the highly subjective nature of the apparel market and the rapid changes in apparel trends, we may be unable to develop technical design to accurately realise our customers’ design concepts. If we fail to develop or acquire the technical know-how that addresses our customers’ and/or end consumers’ preferences in a timely manner, our business and results of operations may be materially and adversely affected.

**Our results of operations may be adversely affected by an increase in the costs of raw materials or labour**

Changes in the costs of labour or raw materials such as fabrics affect our cost structure. We engage contract manufacturers to manufacture all apparel products, and raw materials are sourced from raw material providers by either us or our contract manufacturers. We bear the costs of raw materials and labour costs of contract manufacturers indirectly as part of the costs for finished goods. Moreover, pressure on the governments in countries including the PRC to increase the minimum wage of workers in apparel-making factories and to improve working conditions could increase the operating costs of our contract manufacturers. This increase may be absorbed by our Group through an increase in purchase costs. If we are not able to pass on such additional costs to our customers and/or control such costs, or allocate such production work to other manufacturers of similar quality at comparable terms, this may adversely affect our business operations and financial conditions. If we are unable to control our costs, our business, results of operations and financial conditions would be materially and adversely affected.

**Failure to maintain an effective quality control mechanism may adversely affect our reputation, operation and financial conditions**

The quality of our apparel products is critical to the success of our business. These factors depend significantly on the effectiveness of our quality control system, which in turn, depends on a number of factors, including the design of the system, the quality of our staff and our ability to ensure that our employees adhere to our quality management policies and guidelines. We strive to comply with specific guidelines based on the U.S., the EU and other international

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product safety and restricted and hazardous materials laws and regulations that are applicable in the jurisdictions in which our customers sell their products. Our safety standards for the inspection of our products are also based on the relevant national and industry standards in these jurisdictions. For details of our quality control, please refer to the paragraph headed “VI. Quality control” under the section headed “Business” of this prospectus. We cannot guarantee that our quality control system will continue to be effective and in compliance with relevant laws and regulations and standards. Any significant failure in or deterioration of the efficacy of our quality control systems could result in us losing accreditations and requisite certifications or qualifications, which could in turn have a material adverse effect on our business, reputation, financial conditions and results of operations.

**We are dependent on our brand, intellectual property and reputation, and any negative publicity about us could have a material adverse effect on our business, results of operations and financial conditions**

We are dependent on our brand “Lever 利華”, intellectual property and reputation in conducting our business and we expect to continue to heavily rely on it. Negative publicity arising from, but not limited to, product defects, non-compliance with relevant laws and regulations, and non-adherence to certain level of social responsibility and sustainability standards, are all potential threats to our reputation. While we have registered our brand as trademarks in Hong Kong and the PRC, there is no guarantee that other third parties will not use our brand or trade name or any portion of it in the apparel or other industries. If we fail to protect and promote our reputation, our image may deteriorate, and we may not be able to maintain our sales and current prices or successfully expand into new markets and attract new customers. In addition, if we fail to protect our brand or our intellectual property from the unauthorised use or abuse of third party, our reputation may also be at risk. As a result, our business, results of operations and financial conditions would be materially and adversely affected.

**Failure to protect the intellectual property rights and brands of our customers could harm our business**

Our success depends on our ability to protect the intellectual property and brands of our customers. We cannot guarantee that our customers’ designs, trademarks, patents and other intellectual property rights that we have access to during our engagement will not be misappropriated despite the precautions that we have taken to protect those rights. As at the Latest Practicable Date, we were not aware of any incident related to failure to protect the intellectual property rights of our customers. In the event that our policies and the precautions we have taken do not adequately safeguard our customers’ intellectual property rights, our customers could cease sharing their latest designs of product outlook, reduce or discontinue their purchase orders with us or even take legal actions against us in accordance with the product agreement, if any, which would have a material adverse effect on our business, financial conditions and results of operations.

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**Our success depends on our key personnel. Any failure to attract and retain necessary talents may materially and adversely affect our business, prospects, financial conditions and results of operations**

Our success depends, to a significant extent, on the capability, expertise and continued services of our senior management team. We rely on the expertise and experience of our key executives in developing business strategies, product development, business operation and maintaining relationships with customers. If we lose the services of any of our key executives, we may not be able to find a suitable replacement with comparable knowledge and experience in a timely manner, and our business, prospects, financial conditions and results of operations may be materially and adversely affected.

Our success also depends on our ability to attract and retain talented personnel. We may not be able to attract or retain all the key personnel we need. We may also need to offer better remuneration and other benefits to attract and retain key personnel and therefore cannot guarantee that we will have the resources to fully achieve our staffing needs or that our costs and expenses will not increase significantly as a result of increased talent acquisition and retention costs. Our failure to attract and retain competent personnel, and any increase in staffing costs to retain such personnel may have a negative impact on our ability to maintain our competitive position and to grow our business. If this occurs, our business, financial conditions and results of operations may be materially and adversely affected.

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

We are obliged to ensure the apparel products developed and supplied for sale are safe and bear the appropriate safety warnings depending on the nature of product in question. Our Group requires our contract manufacturers to satisfy certain standards regarding the quality and specifications of our apparel products. However, it is possible that the apparel products manufactured by one or more of our contract manufacturers may at some point cause or have the risk of causing injury or damage in a way that exposes our Group to liability and/or requires our Group to undertake a product recall. In the event of a product recall being required in circumstances where the financial consequences are not satisfied by one of our Group's contract manufacturers, it may have a material adverse effect on our Group's business, financial conditions and results of operations, as well as our reputation and brand. Even if an event causing a product recall proved to be unfounded or if a product liability claim against our Group was unsuccessful or not fully pursued, the negative publicity surrounding any assertion that the product our Group develops or supplies caused injury or damage, or any product recall or allegation that the product our Group sells are defective, could materially and adversely affect our reputation with our existing and potential new customers and our corporate and brand image. For further details on the regulations surrounding product liability, including those in the EU and the U.S., please refer to the section headed "Regulatory overview" of this prospectus. During the Track Record Period and up to the Latest Practicable Date, there was no product recall that has adversely affected our Group's results or operations.

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### **A material disruption of our information technology systems could adversely affect our business**

Our ability to fulfil orders from our customers is dependent on our efficient, proper and uninterrupted operations. We rely on our information technology systems, particularly our ERP system, to monitor and control the provision of our services, by accessing information on each customer's orders, the status of incomplete orders, unpaid invoices and whether each stage of the apparel supply chain has been completed. Our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disaster, systems failures, security breaches or viruses. Any such damage or interruption could have an adverse effect on our business and prevent us from paying our suppliers or employees, or receiving payments from our customers, or performing other services required by our business on a timely basis. The failure of our information technology systems to perform in accordance with our expectations could disrupt our business operations and may result in unexpected and unplanned capital expenditures. This would adversely affect our business, financial conditions and the efficiency of our services.

### **We are subject to significant foreign exchange risks due to our exposure to overseas market**

Our reporting and functional currency is US\$ whilst some of our business transactions are denominated in various other currencies, primarily RMB and HK\$. Although HK\$ is pegged to US\$, we are still exposed to risk associated with exchange rate fluctuation between RMB and US\$. During 2016, 2017, 2018 and the four months ended 30 April 2019, approximately 14.0%, 9.9%, 5.9% and 6.2% of our total revenue and approximately 30.4%, 22.1%, 14.2% and 11.2% of our total cost of sales were denominated in RMB respectively. We have not entered into any agreements to hedge our exchange rate exposure relating to RMB during the Track Record Period and there is no assurance that we will be able to enter into such agreements on commercially viable terms in the future. Going forward, there is no assurance that the exchange rate of US\$ will not fluctuate significantly against RMB (or any other foreign currencies) and foreign exchange rate fluctuations will continue to have an effect on our results of operations. For further information on our foreign currency risk and the sensitivity analysis, please refer to the paragraph headed "12.1 Foreign currency exchange risks" under the section headed "Financial information" of this prospectus.

### **We grant credit terms to our customers, and our working capital and cash flow position may be adversely affected if our customers fail to settle or delay their payments**

Our financial position and profitability are dependent on the creditworthiness of our customers and their ability to settle payment in a timely manner. Currently, we grant credit terms to our customers up to 60 days, depending on a number of factors, including the past payment history and the length of business relationship with the relevant customers. As at 31 December 2016, 2017, 2018 and 30 April 2019, our trade and bills receivables (including trade receivables at fair value through other comprehensive income) were approximately US\$17.8 million, US\$14.1 million, US\$14.6 million and US\$9.5 million respectively, while our debtors'



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turnover days were approximately 57.4 days, 57.8 days, 45.2 days and 39.3 days for the respective years/period. We did not experience any material loss on customer receivables during the Track Record Period. However, there is no assurance that we will not encounter doubtful or bad debts in the future due to a slow-down of industry growth, an individual customer's deteriorating financial condition or otherwise. In particular, we in general pay our material costs before bulk production is completed and receive payments from our customers after delivery based on agreed-upon credit terms. There is also no assurance that our allowance for impairment losses on trade, bills and other receivables is sufficient to cover the actual losses on our receivables in the future. Should we experience any unexpected delay or difficulty in collecting receivables from our customers, our cash flows, financial conditions and results of operations may be materially and adversely affected.

### **Our insurance may be insufficient to cover all losses associated with our business operations**

We procure insurance for our operations against third-party liability, transportation risks, property loss and damage, and workers' compensation for injury and death. Our existing insurance coverage may be insufficient to cover all the risks associated with our business and operations. In the case of an uninsured loss or a loss in excess of insured limits, including those caused by natural disasters and other events beyond our control, we may be required to pay for losses, damages and liabilities out of our own funds, which could materially and adversely affect our business, financial conditions and results of operations. Furthermore, our claim records may affect the premiums which insurance companies may charge us in the future and therefore, impact our financial reports and future insurance premiums.

### **There is no assurance that the implementation of our future plans will be successful**

The future plans of our Group as described in the paragraph headed "III. Business strategies" under the sections headed "Business" and "Future plans and use of proceeds" of this prospectus are based on current intentions and assumptions. The future plan's execution may be subject to capital investment and human resources constraints. Furthermore, our future plans may also be hindered by other factors beyond our control, such as general market conditions, the economic and political environment of the PRC and overseas. Therefore, our future plans may not materialise in accordance with the timetable or with the expected benefits or at all.

In particular, we intend to use part of the proceeds to acquire businesses possessing strong technical know-how in apparel categories we are less experienced in so as to expand our apparel category portfolio. We cannot guarantee that we will be able to spin off any manufacturing facilities that may come with such acquisition, integrate successfully the newly acquired companies or operate them in a profitable manner to achieve business and financial synergies. Our failure to locate appropriate acquisition targets, to integrate and operate acquired companies successfully, and to identify substantial liabilities associated with acquired companies, may materially and adversely impact our operations and profits.



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### **Our historical financial performance is not indicative of our future growth**

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, our revenue amounted to approximately US\$100.6 million, US\$100.8 million, US\$115.9 million and US\$37.2 million respectively. During the same period, our profit for the year/period amounted to approximately US\$3.9 million, US\$4.5 million, US\$6.5 million and US\$1.4 million respectively. Our profit for the year grew at CAGR of approximately 28.9% during the three years ended 31 December 2018 while our profit for the the four months ended 30 April 2019 dropped by approximately 20.9% compared to the same period in 2018.

If there is a decrease in the demand for our end-to-end apparel supply chain solutions, or if there is a switch of end consumers' preference in the apparel offered by our customers, our financial performance, profitability and financial position may be adversely affected. In particular, the gain on disposal of subsidiaries of approximately US\$2.0 million, which was non-recurring in nature and did not recur in the rest of the Track Record Period, also contributed to our profit in 2016. For details, please refer to the paragraph headed "5.5 Other gains and losses" under the section headed "Financial information" of this prospectus and note 8 of the Accountants' Report contained in Appendix I to this prospectus. Therefore, our historical financial performance is not indicative of our future growth.

### **The trade war between China and the U.S. may affect our business, financial conditions and results of operation**

As at the Latest Practicable Date, there is an ongoing trade war between China and the U.S., whereby the U.S. has imposed tariff on Chinese goods. In particular, the U.S. has imposed 15.0% tariff on US\$300.0 billion of Chinese goods, including women and men's garment products starting from 1 September 2019. The imposition of tariff may increase the costs for our U.S. customers for orders that are sub-contracted to China based contract manufacturers.

During the Track Record Period, over 60.0% of our sales were generated from customers headquartered in the U.S.. For the year ended 31 December 2018 and the four months ended 30 April 2019, approximately 66.6% and 52.6% of our revenue from U.S. customers were sub-contracted to China based contract manufacturers respectively. While we can leverage on our multi-jurisdiction manufacturing production network to provide alternative production venues for our U.S. customers to lessen the impact of the Sino-U.S. trade war, we cannot assure you that the intensified tension and ongoing negotiations between China and the U.S. will not adversely affect our business, financial conditions and results of operations. For further details on the Sino-U.S. trade war, please refer to the paragraph headed "Sino-U.S. trade war" under the section headed "Summary" of this prospectus.

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## RISK FACTORS

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### **We are exposed to inventory obsolescence risk**

Our inventories are susceptible to obsolescence because they consist of fashionable apparel products and raw materials and demand for such items can rise and fall based on shifting trends. Our inventory balance amounted to approximately US\$16.4 million, US\$17.0 million, US\$15.3 million and US\$14.9 million, accounted for approximately 36.6%, 40.7%, 35.3% and 35.3% of our total assets as at 31 December 2016, 2017 and 2018 and 30 April 2019 respectively.

According to our Group's business model, materials will only be procured after receipt of purchase contract from customers. The amount of materials procured and apparel products to be produced is based on the specifications of the technical package and the order volume as specified in the purchase contracts. If our customers cancel orders after we have procured materials or started production process of the apparel products, we may not be able to utilise or resell those materials or products.

In addition, our Group selectively offers fabric platforming (which is essentially keeping an inventory of regular fabrics of higher demand) for customers on certain fabrics which are regularly featured in their lines according to an agreed time frame. For details, please refer to the paragraph headed "Material procurement" under the section headed "Business" of this prospectus. Our customers will be ultimately responsible for and will purchase any unutilised fabrics from our Group by the end of the agreed period. If the fabrics remain unutilised by the end of the agreed period and our customers refuse to purchase these unused fabrics from us, such inventory items may be subject to inventory write-downs or write-offs.

Should we have an increase of obsolete inventories arising from the abovementioned situations, the value of our assets and operating profit would be reduced and hence our financial condition and results of operations will be adversely affected.

### **B. RISKS RELATING TO THE INDUSTRY IN WHICH OUR GROUP OPERATES**

#### **Fluctuations in consumer spending caused by changes in macroeconomic conditions may materially and adversely affect our business operations, financial conditions, results of operations and prospects**

Our customers' purchasing decisions and the quantities of orders they place with us will be heavily influenced by the likely spending habits of their consumers. Such spending habits may be influenced by macroeconomic conditions. Changes and developments in global political, economic and financial conditions will in turn affect the volume of our business and performance.

If demand from end consumers is low, companies operating in the apparel supply chain may experience significant reductions in orders and greater pricing pressures from customers. Other factors such as the imposition of new trade barriers, sanctions, boycotts and other measures, trade disputes, labour disputes, disruptions to the transportation industry, as well as

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## **RISK FACTORS**

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acts of war or hostilities, could delay or prevent the delivery of apparel products to our customers, or even reduce demand for apparel products. If this were to occur, there would be material adverse effect on our business operations, financial conditions, results of operations and prospects.

**Increased inspection procedures, tighter import and export controls and additional trade restrictions could increase our operation costs and affect our operation and financial results**

The apparel industry is subject to various security and customs inspections in countries of origin and destination. Such inspections can result in seizure of apparels, delays in delivery and levying of customs duties, fines or other penalties against exporters or importers. If the inspections or other customs' controls are further tightened, we may incur further compliance costs, delays in delivery and our business may be adversely affected.

In addition, the government authorities may impose additional trade restrictions, such as tariffs, import quota and embargo against apparel products. Any of such trade restrictions could adversely affect our business, financial conditions and results of operations.

**We face keen competition in our industry**

The global apparel industry is highly competitive. Similar to us, other companies endeavour to increase their market shares through measures such as continued research and development efforts. We face substantial competition from many international and local competitors of various sizes. Some of our competitors are of larger scale than us and have greater financial resources to compete. Other competitors are of smaller scale than us but maybe able to offer more specialised products. Price, technical expertise, service, product quality and breadth of product line are the key areas of competition for our business. If we fail to compete effectively or maintain our competitiveness in the market, our business, financial conditions and results of operations will be materially and adversely affected.

**C. RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC**

**We are subject to additional local laws and regulations, government policies and economic, social and political conditions of the respective jurisdictions in which we operate**

We may be subject to the local laws and regulations in the respective jurisdictions in which we operate. Any change to the relevant local government regulations or policies, whether relating to labour safety, tax treatment (including corporation tax rates, import duty and value-added tax ("VAT")), environmental protection or any other aspects, may affect the operating costs of our sales. In addition, any political unrest could directly or indirectly cause

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strikes or labour unrest and could substantially disrupt our business and operations. This may in turn adversely affect our profitability and financial results. Further details on the laws regarding corporation tax, import duty and VAT, please refer to the section headed “Regulatory overview” of this prospectus.

### **The PRC government’s control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares**

RMB is not a freely convertible currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the existing PRC foreign exchange regulations, payment of current account items, including the payment of dividends, does not require prior approval from the State Administration of Foreign Exchange, subject to compliance with certain procedural requirements. However, approval from appropriate government authorities is required when RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as repayment of loans denominated in foreign currency.

The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries’ ability to obtain foreign exchange through debt and equity financing, including by means of loans and capital contributions from us. The PRC government may in the future and at its discretion restrict access to foreign currencies for current account transactions. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue to come into effect in the future.

### **Companies having business in the PRC may have a chance to be classified as a “resident enterprise” for PRC enterprise income tax purposes, and such classification could result in unfavourable tax consequences to us and our non-PRC Shareholders**

The PRC EIT Law provides that enterprises established outside of the PRC whose “de facto management bodies” are located in the PRC are considered PRC “tax resident enterprises” and will generally be subject to the uniform 25.0% PRC enterprise income rate on their global income. Under the implementation rules to the PRC EIT Law, a “de facto management body” is defined as a body that has material and overall management and control over the contract manufacturing and business operations, personnel and human resources, finances and other assets of an enterprise, however, the circumstances under which an enterprise’s “de facto management body” would be considered to be located in the PRC are currently unclear. A tax circular issued by the State Administration of Taxation on 22 April 2009 (“**Circular 82**”), provides that certain foreign enterprises controlled by a PRC company or a PRC company group will be classified as “resident enterprises” if the following are located or resident in the PRC: senior management personnel and departments that are responsible for daily production, operation and management; financial and decision making bodies or persons, major assets, accounting books, company seal, and minutes of board meetings and shareholders’ meetings; and half or more of the senior management or directors having voting rights.

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Accordingly, if our Company or any of our non-PRC subsidiaries is considered a PRC tax resident enterprise for PRC tax purposes, a number of unfavourable PRC tax consequences could follow. First, our Company or our non-PRC subsidiary will be subject to the uniform 25.0% enterprise income tax rate as to our global income as well as tax reporting obligations. Second, our Shareholders may be subject to a 10.0% withholding tax, upon dividends received from us and gain on the sale of our Shares, unless such withholding tax is reduced by an applicable income tax treaty between China and jurisdiction of the Shareholder. Any such tax may reduce the returns on your investment in our shares. As at the Latest Practicable Date, the PRC taxation authorities which enforce the withholding tax have not yet issued guidance with respect to the processing outbound remittances entities that are deemed PRC resident enterprise for tax purposes.

### **Inflation in PRC could negatively affect our profitability and growth**

The PRC economy has undergone rapid growth in the recent years, which has been accompanied by periods of high inflation. If the inflationary pressures continue and are not mitigated by the PRC government, our cost of sales will likely to increase and our profitability could be materially impaired, as there is no assurance that we would be able to pass any cost increases onto our customers. In order to control the inflation rate, the PRC government has imposed controls on bank credit, limits on loans for fixed assets and restrictions on state bank lending. Such policies are likely to slow down the economic growth and could materially and adversely affect our business, financial conditions and our results of operations.

### **Uncertainties with respect to the PRC legal system could materially and adversely affect us**

The Chinese legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation since then has significantly enhanced the protections afforded to various forms of foreign investments in China. We conduct our business primarily through our subsidiaries established in China. These subsidiaries are generally subject to laws and regulations applicable to foreign investment in China. However, the Chinese legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us.

In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since Chinese administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into with our business partners and customers.

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Such uncertainties, including the inability to enforce our contracts, together with any development or interpretation of Chinese law that is adverse to us, could materially and adversely affect our business and operations. Furthermore, intellectual property rights and confidentiality protections in China may not be as effective as in the more developed countries. We cannot predict the effect of future developments in the Chinese legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

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

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

Prior to the Global Offering, there was no public market for our Shares. Following the completion of the Global Offering, the Stock Exchange will be the only market where our Shares are publicly traded. While we have applied to be listed and deal in our Shares on the Stock Exchange, we cannot predict the extent to which prospective investors' interest in our Company will lead to the development of a trading market on the Stock Exchange or how active and liquid that market may become. If an active and liquid trading market does not develop, prospective investors may have difficulty in selling our Shares. The Offer Price of the Offer Shares was negotiated between us, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and it may not necessarily be indicative of the market price of our Shares after the Global Offering is completed. A prospective investor who purchases our Shares in the Global Offering may not be able to resell such Shares at or above the Offer Price and, as a result, may lose all or part of the investment in such Shares.

#### **The market price and trading volume for our Shares may be volatile**

The price and trading volume of our Shares may be highly volatile. Factors such as global and local economic conditions, the foreign currency exchange rate between the US\$ and HK\$, variations in our operating results, earnings and cash flows and announcements of new investments and strategic alliances and/or acquisitions, could cause the market price of our Shares to change substantially. Any of such factors may result in large and sudden changes in the volume and price at which our Shares will be traded. We cannot guarantee that these factors will not occur in the future. In addition, shares of other companies listed on the Stock Exchange had experienced substantial price volatility in the past, and it is possible that our Shares will be subject to changes in price that may not be directly related to our financial or business performance. As a result, prospective investors may experience volatility in the market price of our Shares and a decrease in the value of our Shares regardless of our operating performance or prospects.

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## RISK FACTORS

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### **Potential conflict of interests between the Controlling Shareholders and other minority Shareholders**

Upon completion of the Global Offering and Capitalisation Issue (assuming the Over-Allotment Option is not exercised), our Controlling Shareholders will own, in aggregate, approximately 47.76% of the Shares (without taking into account the Shares, if any, to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). The interests of our Controlling Shareholders may differ from the interests of the other Shareholders. There is no assurance that our Controlling Shareholders will act in our best interests and that of the minority Shareholders. In the event of any conflict of interests between our Controlling Shareholders and our minority Shareholders arises, our Controlling Shareholders will have the power to prevent us from proceeding with any proposed transactions at the general meeting which could be beneficial to us and other Shareholders, regardless of the underlying reasons.

### **There is time lag between pricing and commencement of trading of the Shares, and the price of our Shares may fall before trading 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 they are delivered, which is expected to take place about five business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price or value of our Shares could fall when trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time when trading begins.

### **Prospective investors' interest may experience dilution if we issue additional Shares or other securities in the future**

We may require additional funds in the future to finance the expansion of the business and operations of our Group. If additional funds are raised through the issue of new Shares or other equity-linked securities other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders in our Company may be diluted. Furthermore, such newly issued securities may confer rights, preferences or privileges superior to those of the existing shares.

### **Substantial future sales or speculated sales of our Shares in the public market could cause the price of our Shares to decline**

Sales of our Shares in the public market after the Global Offering, or speculation that these sales could occur, could cause the market price of our Shares to decline. Upon completion of this Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme), we will have 640,000,000 Shares in issue. Certain holders of our Shares will be able to sell their Shares upon the expiration of certain lock-up periods. Please refer to the section headed "Underwriting" of this prospectus for details. We cannot predict the effect, if any, on the market price of our Shares resulted from market sales of securities held by our significant Shareholders or any other Shareholders or the availability of these securities for future sale.



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## RISK FACTORS

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### **Past dividend records should not be treated as indicative of future dividend payments**

Our Group had declared dividends during the Track Record Period. Historical dividends record should not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Company in the future. The declaration, payment and amount of any future dividends are subject to the discretion of our Board, having considered factors including our earnings, financial conditions, cash requirements, applicable laws and other relevant factors.

### **The Global Offering is subject to potential termination of the Underwriting Agreements**

Prospective investors of the Offer Shares should note that the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters are entitled to terminate the obligations of the Underwriters under the Underwriting Agreements when the Sponsor and/or Sole Global Coordinator (for itself and on behalf of the Underwriters) gives notice in writing to our Company upon the occurrence of any of the events stated in the paragraph headed “Grounds for termination” under the section headed “Underwriting” of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs. Should the Sponsor and/or Sole Global Coordinator exercise their rights (for itself and on behalf of the Underwriters) and terminate the Underwriting Agreements, the Global Offering will not proceed and will lapse.

### **Our Company is incorporated in the Cayman Islands and the protection to minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions**

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Cayman Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in Appendix III to this prospectus.

## **E. RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS**

### **Certain statistics, projected industry data and other information relating to the economy contained in this prospectus are derived from third party market research reports or news sources and may not be reliable**

This prospectus contains certain facts, forecasts and other statistics that have been extracted from government official sources and publications or other sources which we believe to be reliable and appropriate for such statistics and facts. We have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts have not been independently verified by us, the Selling Shareholder, the Sponsor, the Sole Global

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## RISK FACTORS

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Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective affiliates or advisers or any other party involved in the Global Offering. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, such statistics and facts may be inaccurate or may not be comparable to statistics produced for other economies. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. We, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective affiliates or advisers or any other party involved in the Global Offering make no representation as to the accuracy or completeness of these statistics and facts. Prospective investors should not place undue reliance on any of such statistics and facts contained in this prospectus.

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

This prospectus contains certain statements that are “forward-looking” and uses forward looking terminology such as “aim”, “anticipate”, “believe”, “consider”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought”, “plan”, “potential”, “predict”, “project”, “schedule”, “seek”, “should”, “target”, “will”, “would”, or similar expressions or the negative thereof. Those statements include, amongst other things, the discussion on our growth strategy and the expectations of our future operation, liquidity and capital resources. And they are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements.

### **Prospective investors should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media, including, in particular, any financial projections, valuations or other forward-looking information**

We wish to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of any press articles or other media and that such press articles or other media were not prepared or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward looking information, or of any assumptions underlying such projections, valuations or other forward looking information, included in or referred to by the media. To the extent that any such statements are inconsistent, or conflict, with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors should not rely on any such information contained in press articles or other media. Prospective investors making a decision as to whether to apply for the Shares should rely solely on the information contained in this prospectus and the Application Forms and not place any reliance on any other information.

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

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

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Each of our Directors, having made all reasonable enquiries, confirm that to the best of their respective knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there is no other matter, the omission of which would make any statement herein or this prospectus misleading.

Copies of this prospectus required by the Listing Rules and the Companies (Miscellaneous Provisions) Ordinance are available, for information purpose only, at the respective offices of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters during normal office hours from 9:00 a.m. to 5:00 p.m. from Thursday, 31 October 2019 to Wednesday, 6 November 2019 (both dates inclusive).

### **INFORMATION ON THE GLOBAL OFFERING**

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us (for ourselves and on behalf of the Selling Shareholder), the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, agents, employees or advisers or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering or delivery made in connection with our Shares shall, 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 in this prospectus is correct as at any subsequent time.

### **UNDERWRITING**

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

The Listing is sponsored by Altus. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, on a conditional basis. The International Placing Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to

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

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agreement on pricing of the Offer Shares between the Sole Global Coordinator (for itself and on behalf of the Underwriters), our Company and the Selling Shareholder. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed between our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date, the Global Offering will not proceed and will lapse. For further information about the Underwriters and the Underwriting Agreements, please refer to the section headed “Underwriting” of this prospectus.

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

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers of the Offer Shares described in this prospectus and the Application Forms, and that he/she is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit a public offering of the Hong Kong Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and the related Application Forms may not be used for the purpose of, and do not constitute, an offer or invitation, nor are they calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the Application Forms, 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 relevant securities regulatory authorities or an exemption therefrom.

The Hong Kong 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 Global Offering 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 Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Global Offering.

Prospective investors 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 investors 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.

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

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### **THE SELLING SHAREHOLDER**

The International Placing comprises 155,520,000 Shares (assuming the Over-Allotment Option is not exercised), of which 12,800,000 Shares are being offered for sale by the Selling Shareholder. Assuming an Offer price of HK\$0.95 per Offer Share (being the mid-point of the indicative Offer Price range of HK\$0.85 to HK\$1.05 per Offer Share), we estimate that the Selling Shareholder will receive net proceeds of approximately HK\$11.2 million (equivalent to approximately US\$1.4 million) after deduction of the proportional estimated expenses, underwriting commission, brokerage fee, SFC transaction levy, trading fees on the Stock Exchange and any stamp duty payable by the Selling Shareholder in relation to the Global Offering. Our Company will not receive any proceeds raised from the Sale Shares. Please refer to the paragraph headed “24. Particulars of the Selling Shareholder” in Appendix IV to this prospectus for further details.

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

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering (including any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or options which may be granted under the Share Option Scheme).

No part of our Shares or loan capital of our Company is listed or dealt in on any other stock exchange and, at present, no such listing or permission to deal is being or is proposed to be sought on any other stock exchange in the near future.

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at least 25.0% of the total issued share capital of our Company must at all times be held by the public. Accordingly, a total of 172,800,000 Offer Shares, which represent 27.0% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme) will be made available under the Global Offering.

Under section 44B(1) of the Companies (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.

### **ELIGIBILITY FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and compliance 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 Listing Date or any other date determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS

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

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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. Prospective 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.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Prospective investors for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing, purchasing, holding, disposing or dealing in or exercise of any rights in relation to the Shares. It is emphasised that none of our Company, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription, purchase, holding, disposal or dealing of Shares, or the exercise of any rights in relation to the Shares.

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

Our principal register of members will be maintained by our Principal Share Registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands, and our branch register of members will be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong. All our Shares issued pursuant to the Global Offering will be registered on our Company's branch register of members in Hong Kong. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on the Stock Exchange unless the Stock Exchange otherwise agrees. Dealings in the Shares registered at our branch register of members in Hong Kong will be subject to Hong Kong stamp duty. Please refer to the details in the paragraph headed "Other information" in Appendix IV to this prospectus.

Unless our Company determines otherwise, dividends payable in HK\$ in respect of the Shares will be paid by cheque sent at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders of the Shares, the first-named holder.

### **PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES**

The procedures for applying for the Hong Kong Offer Shares are set out under the section headed "How to apply for the Hong Kong Offer Shares" of this prospectus and on the relevant Application Forms.

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

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### **STRUCTURE OF THE GLOBAL OFFERING**

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

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 13 November 2019, it is expected that the dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 13 November 2019. Our Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares is 1346.

### **ROUNDING**

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

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.



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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Szeto Chi Yan Stanley (司徒志仁)	Flat B, 13/F., 2 Shiu Fai Terrace Wan Chai Hong Kong	Chinese
Dr. Chan Yuk Mau Eddie (陳育懋)	Room E, 2/F., Block 11 Laguna City, Kwun Tong Hong Kong	Chinese
Mr. Lee Yiu Ming (李耀明)	Flat C, 22/F., Billionnaire Royale 83 Sa Po Road, Kowloon City Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. Kim William Pak	15 Halcyon Wharf 5 Wapping High Street London, U.K. E1W 1LH	American
<i>Independent non-executive Directors</i>		
Mr. See Tak Wah (施德華)	19A, Block 2, 17 Braemar Hill Road Hong Kong	Chinese
Mr. Auyang Pak Hong Bernard (歐陽伯康)	House D, 81 Repulse Bay Road Hong Kong	Chinese
Mr. Lee Shing Tung Tommy (李承東)	Room 3/F, 38 Lancashire Road Kowloon Tong, Hong Kong	Chinese

Further information about the Directors and other senior management members are set out under the section headed “Directors and senior management” of this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

**Sponsor**

**Altus Capital Limited**

*a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO*

21 Wing Wo Street  
Central  
Hong Kong

**Sole Global Coordinator**

**Crosby Securities Limited**

5th Floor, Capital Centre  
151 Gloucester Road  
Wanchai, Hong Kong

**Joint Bookrunners and Joint Lead  
Managers**

**Crosby Securities Limited**

5th Floor, Capital Centre  
151 Gloucester Road  
Wanchai, Hong Kong

**China Tonghai Securities Limited**

18th-19th Floor, China Building  
29 Queen's Road Central  
Hong Kong

**Shanxi Securities International Limited**

Unit A, 29th Floor  
Admiralty Centre Tower 1  
18 Harcourt Road  
Admiralty, Hong Kong

**CMBC Securities Company Limited**

45th Floor, One Exchange Square  
8 Connaught Place  
Central, Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### Legal advisers to our Company

*As to Hong Kong law:*

**Withers**

20/F., Gloucester Tower  
The Landmark  
No. 15 Queen's Road Central  
Hong Kong

*As to PRC law:*

**ETR Law Firm**

29 &10/F  
Chow Tai Fook Finance Centre  
No. 6 Zhujiang Dong Road  
Tianhe District, Guangzhou  
PRC 510623

*As to Cayman Islands law:*

**Conyers Dill & Pearman**

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

*As to United States law:*

**Withers Bergman LLP**

430 Park Avenue  
10th Floor, New York  
New York U.S. 10022-3505

*As to European law:*

**Withers LLP**

20 Old Bailey  
London U.K.  
EC4M 7AN

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Legal advisers to the Sponsor and Underwriters**

*As to Hong Kong law:*

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

*As to PRC law:*

**Allbright Law Offices (Shenzhen)**  
22, 23/F, Tower 1  
Excellence Century Centre  
Fu Hua 3 Road Futian District  
Shenzhen, Guangdong Province 518048  
PRC

**Auditors and Reporting Accountants**

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

**Tax Representative**

**Ng Kwok Cheung, Bernard**  
Unit 906, 9/F  
CC Wu Building  
302-308 Hennessy Road  
Wanchai  
Hong Kong

**Special Tax Counsel to the Sponsor**

**Stefano Mariani**  
**Deacons**  
5th Floor  
Alexandra House  
18 Chater Road  
Central, Hong Kong

**Industry consultant**

**Frost & Sullivan International Limited**  
1706, One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Receiving Bank**

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

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## CORPORATE INFORMATION

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<b>Registered office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Headquarter and principal place of business in Hong Kong</b>	137 InnoCentre 72 Tat Chee Avenue Kowloon Tong Hong Kong
<b>Company secretary</b>	Mr. Lee Yiu Ming (李耀明) ( <i>HKICPA</i> ) Flat C, 22/F., Billionnaire Royale 83 Sa Po Road Kowloon City Hong Kong
<b>Authorised representatives (for the purpose of the Listing Rules)</b>	Mr. Lee Yiu Ming (李耀明) Flat C, 22/F., Billionnaire Royale 83 Sa Po Road Kowloon City Hong Kong  Dr. Chan Yuk Mau Eddie (陳育懋) Flat E, 2/F., Block 11 Laguna City Kwun Tong, Kowloon Hong Kong
<b>Audit committee</b>	Mr. See Tak Wah (施德華) ( <i>Chairman</i> ) Mr. Auyang Pak Hong Bernard (歐陽伯康) Mr. Lee Shing Tung Tommy (李承東)
<b>Remuneration committee</b>	Mr. Auyang Pak Hong Bernard (歐陽伯康) ( <i>Chairman</i> ) Mr. See Tak Wah (施德華) Dr. Chan Yuk Mau Eddie (陳育懋)
<b>Nomination committee</b>	Mr. Lee Shing Tung Tommy (李承東) ( <i>Chairman</i> ) Mr. Auyang Pak Hong Bernard (歐陽伯康) Mr. See Tak Wah (施德華)

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## CORPORATE INFORMATION

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<b>Compliance adviser</b>	<b>Altus Capital Limited</b> <i>a corporation licensed to carry out Type 4 (advising in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO</i>  21 Wing Wo Street Central Hong Kong
<b>Principal Share Registrar and transfer office</b>	<b>Conyers Trust Company (Cayman) Limited</b> P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Hong Kong Branch Share Registrar and transfer office</b>	<b>Tricor Investor Services Limited</b> Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal bankers</b>	<b>The Hongkong and Shanghai Banking Corporation Limited</b> HSBC Main Building 1 Queen's Road Central Hong Kong  <b>Hang Seng Bank Limited</b> 83 Des Voeux Road Central Hong Kong  <b>Bank of China (Hong Kong) Limited</b> Bank of China Tower 1 Garden Road Hong Kong
<b>Company website</b>	<i>www.leverstyle.com</i> (Note: Information contained in this website does not form part of this prospectus)

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## INDUSTRY OVERVIEW

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*The information presented under this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering nor is any representation given as to its accuracy or completeness. The information and statistics contained under this section may not be consistent with other information and statistics compiled within or outside of Hong Kong.*

### SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the global textile and apparel supply chain solutions industry. The report prepared by Frost & Sullivan for us is referred to in this prospectus as the Frost & Sullivan Report. A total fee of HK\$500,000 was paid to Frost & Sullivan for the preparation of the report, which we believe reflects market rates for reports of this type.

Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 45 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists.

### RESEARCH METHODOLOGY

The Frost & Sullivan Report was undertaken through both primary and secondary research obtained from various sources using intelligence collection methodologies. Primary research involved discussing the status of the industry with certain leading industry participants across the industry value chain and conducting interviews with relevant parties to obtain objective and factual data and prospective predictions. Secondary research involved reviewing information integration of data and publication from publicly available sources, including official data and announcements from government agencies, company reports, independent research reports and data based on Frost & Sullivan's own data base.



## INDUSTRY OVERVIEW

### Basis and assumptions

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions (i) the social, economic and political environment of the world is likely to remain stable in the forecasted period; and (ii) industry key drivers are likely to drive the growth of apparel retail and apparel supply chain solutions industry of the world in the forecasted period.

On these basis, our Directors are satisfied that the forecasts and industry data disclosed under this section are not misleading. Our Directors confirmed that, after making reasonable enquiries, there is no material adverse change in the market information since the date of the commissioned research report which may qualify, contradict or have an adverse impact on the information under this section.

### OVERVIEW OF THE GLOBAL APPAREL RETAIL INDUSTRY

Driven by the global economic growth, the disposable income has experienced steady increase, and in turn boosted the development of the apparel retail industry. The global apparel retail industry recorded a total revenue of approximately US\$1,219.9 billion in 2014 and reached approximately US\$1,438.2 billion in 2018, representing a CAGR of approximately 4.2%. Going forward, the personal consumption expenditure is expected to grow further and thereby benefitting the global apparel retail industry. Accordingly, the global apparel retail industry is forecasted to reach approximately US\$1,753.3 billion in 2023, with a CAGR of approximately 4.0% from 2019 to 2023, according to Frost & Sullivan.

### Global apparel retail market by apparel category

Apparel category	Market share by retail sales in 2018	Retail sales in 2014 <i>US\$ billion</i>	Retail sales in 2018 <i>US\$ billion</i>	Expected retail sales in 2023 <i>US\$ billion</i>	CAGR from 2014 to 2018	CAGR from 2019E to 2023E
Bottoms	16.3%	201.7	234.4	281.1	3.8%	3.6%
Shirts	16.0%	195.8	230.1	279.1	4.1%	3.8%
Athleisure	13.7%	158.6	197.0	256.6	5.6%	5.4%
Underwear	8.8%	103.8	126.6	160.7	5.1%	4.8%
Sweaters	6.5%	79.9	93.5	112.7	4.0%	3.7%
Outerwear	6.2%	80.9	89.2	100.2	2.5%	2.4%
Suit	4.1%	49.5	59.0	72.8	4.5%	4.3%
Others	28.4%	349.7	408.4	490.1	4.0%	3.5%
<b>Total</b>	<b>100.0%</b>	<b>1,219.9</b>	<b>1,438.2</b>	<b>1,753.3</b>	<b>4.2%</b>	<b>4.0%</b>

*Source: Frost & Sullivan Report*

*Note: Global apparel retail market values for cut-and-sewn knit, soft wovens and denim are spread out across the above categories and cannot be directly inferred from the above table.*

## INDUSTRY OVERVIEW

The apparel retail market could be categorised into seven major products, namely bottoms, shirts, athleisure, underwear, sweaters, outerwear and suit. In 2018, the global apparel retail market was led by bottoms and shirts which accounted for approximately 16.3% and 16.0% of the total market respectively, and the global apparel retail market size of bottoms and shirts grew from approximately US\$201.7 billion and US\$195.8 billion in 2014 to approximately US\$234.4 billion and US\$230.1 billion in 2018, demonstrating CAGRs of approximately 3.8% and 4.1% respectively. As shown in the table above, athleisure, riding on the global rising health and fitness trend and general relaxation in dresscode, has been forecasted to have the highest growth potential going forward, growing at a CAGR of approximately 5.4% from 2019 to 2023.

For the apparel retail market of four additional apparel categories that Frost & Sullivan noted our Group is planning to acquire, namely athleisure, cut-and-sewn knit, soft wovens and denim, their total retail sales grew from approximately US\$360.0 billion in 2014 to US\$434.3 billion in 2018, representing a CAGR of approximately 4.8%. Going forward, these additional apparel categories are expected to grow at a CAGR of approximately 4.9% from 2019 to 2023 to an expected market size of approximately US\$552.1 billion, which is higher than the industry average of a 4.0% CAGR for the same period.

### Global apparel retail market by brand positioning

Brand positioning	Price point <sup>Note 2</sup>	Market share by retail sales				CAGR from 2014 to 2018	CAGR from 2019E to 2023E
		in 2018	Retail sales in 2014 <i>US\$ billion</i>	Retail sales in 2018 <i>US\$ billion</i>	Expected retail sales in 2023 <i>US\$ billion</i>		
Luxury	High	8.2%	99.9	117.9	143.6	4.2%	3.9%
Bridge <sup>Note 1</sup>	Moderate to high	12.1%	146.2	174.0	215.1	4.5%	4.3%
Better <sup>Note 1</sup>	Moderate	18.4%	218.4	264.6	333.6	4.9%	4.6%
Moderate	Low to Moderate	32.5%	401.4	467.4	563.3	3.9%	3.8%
Mass	Low	28.8%	354.0	414.3	497.7	4.0%	3.6%
<b>Total</b>		<b>100.0%</b>	<b>1,219.9</b>	<b>1,438.2</b>	<b>1,753.3</b>	<b>4.2%</b>	<b>4.0%</b>

Source: Frost & Sullivan Report

Notes:

- For the purpose of this prospectus, these are aggregated together and referred to as premium and is in line with industry norms, according to Frost & Sullivan.
- Price point for each category is determined with reference to market research and interviews with industry participants and end consumers.
- The above classification is common industry practice to categorise brands in the global apparel retail market according to Frost & Sullivan and our Directors' extensive industry knowledge.

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## INDUSTRY OVERVIEW

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In 2018, moderate and mass market brands contributed approximately US\$467.4 billion and US\$414.3 billion, or approximately 32.5% and 28.8% of the global apparel retail sales respectively. These two categories of brands are expected to maintain their market shares of approximately 32.1% and 28.4% in 2023 respectively. From 2014 to 2018, bridge and better market brands, despite their smaller market shares, recorded CAGRs of approximately 4.5% and 4.9%, compared to the global apparel retail sales CAGR of approximately 4.2%. According to Frost & Sullivan, these two categories of brands are expected to reach approximately 12.3% and 19.0% of global apparel retail sales by 2023 respectively. Such strong growth is associated with the growing prevalence of emerging brands which target niche consumer segments and are able to charge higher prices than brands catering to the mass consumer market.

For luxury brands, their apparel products require high craftsmanship and are not produced in bulk as compared to moderate or mass market brands, examples of which include “Louis Vuitton”, “Chanel”, “Dior” and “Hermes”. In this regard, they mainly engage workshops in Europe or the U.S. that employ highly experienced artisans in producing their apparel products. Bridge and better market brands (such as “Hugo Boss”, “Paul Smith”, and “Tory Burch” for bridge market brands and “Vineyard Vines” and “Calvin Klein” for better market brands) generally engage third party contract manufacturers instead of self-operated manufacturing facilities. With higher price points than moderate and mass market brands, bridge and better market brands also tend to impose more stringent requirements on materials and aesthetic standards than those in the moderate and mass market space. Moderate and mass market brands on the other hand focus on volume business and generally rely on supply chain solutions providers or contract manufacturers with sizable scale of operation, examples of which include “Zara” and “Gap” for moderate market brands and “Forever 21”, “H&M”, “Old Navy” for mass market brands.

### Global apparel retail market by business model

Business model	Market share by retail sales in 2018	Retail sales in 2014	Retail sales in 2018	Expected retail sales in 2023	CAGR from 2014 to 2018	CAGR from 2019E to 2023E
		US\$ billion	US\$ billion	US\$ billion		
Digitally native	12.4%	144.4	178.3	240.7	5.4%	6.3%
Conventional	87.6%	1,075.5	1,259.9	1,512.6	4.0%	3.6%
<b>Total</b>	<b>100.0%</b>	<b>1,219.9</b>	<b>1,438.2</b>	<b>1,753.3</b>	<b>4.2%</b>	<b>4.0%</b>

Source: Frost & Sullivan Report

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Conventional brands occupied approximately 87.6% of the global apparel retail market whilst digitally native brands and platforms accounted for approximately 12.4%. From 2014 to 2018, the global apparel retail value of conventional brands increased from approximately US\$1,075.5 billion to approximately US\$1,259.9 billion, showing a CAGR of approximately 4.0%. With the rapid development of e-commerce and the shift of consumer preference towards customised and novel apparel products, digitally native brands and platforms have experienced rapid development in recent years. The global apparel retail market of digitally native brands and platforms enjoyed a higher growth rate, increasing from approximately US\$144.4 billion to approximately US\$178.3 billion at a CAGR of approximately 5.4% from 2014 to 2018. In the future, the global apparel retail market size of digitally native brands and platforms is expected to expand at a higher CAGR of approximately 6.3% and reach approximately US\$240.7 billion by 2023, according to Frost & Sullivan.

### **Key drivers and trends**

#### ***(i) Growing prevalence of online platforms***

With the growing prevalence of e-commerce in recent years, the number of online retail platforms has been rising rapidly with the gross merchandise value increasing at a CAGR of approximately 10.5% from 2014 to 2018. Many emerging brands have been riding on this trend and successfully scaled up their business despite the absence of brick and mortar stores. Meanwhile, as consumers gravitate towards online shopping due to better shopping experience such as simple checkout process, real time customer services and customised shopping contents, many conventional brands have diversified their distribution channels to also include online retail so as to tap into this high growth distribution channel.

#### ***(ii) Changing consumer preference for customised and novel products***

With the explosive growth in online-retailing, consumers are exposed to a larger variety of products and online apparel retailers can also better identify their target consumers through digital advertisement strategies including hypertargeting algorithmic marketing. Meanwhile, consumers with growing appetite for novelty have gravitated towards more customised apparel products. Accordingly, apparel brands need to shorten their product creation process to keep abreast of ever-changing consumer preferences. Emerging brands need manufacturing partners that have the capability and versatility to quickly satisfy changing consumer demands. As such, they tend to engage supply chain solutions providers who can offer them end-to-end services together with the technical know-how to support their business.

#### ***(iii) Increasing popularity for athleisure brought by rising awareness for health and fitness***

Ever since consumers started to place greater emphasis on living a healthy and stylish lifestyle, especially in countries with high disposable income, athleisure, which is designed to be “athletic” and “leisure”, has become a high growth apparel category. Apparel brands, from mass market brands to luxury brands, are pursuing this new category.

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## INDUSTRY OVERVIEW

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### *(iv) Increasing emphasis on sustainability*

Consumers, especially millennials, are becoming more environmentally and socially conscious and expect the whole apparel supply chain to commit to corporate sustainability, examples of which include using environmentally friendly fabrics and production methods to reduce carbon footprint and treating employees fairly. Many apparel brands are conducting various measures with higher transparency to achieve such goals and position themselves in the market accordingly.

## OVERVIEW OF THE APPAREL SUPPLY CHAIN SOLUTIONS INDUSTRY

### **Definition and introduction**

Apparel supply chain refers to the value chain starting from product design, material sourcing, apparel production, and finally distribution logistics to the fashion brands or retailers. Apparel supply chain participants include designers, technicians, manufacturers, transporters, etc.

Apparel supply chain solutions providers integrate the roles of all (or some) apparel supply chain nodes, functioning as a coordinator to manage product design, raw material sourcing, apparel production and distribution logistics. Apparel supply chain solutions providers usually outsource labour-intensive functions to third party contract manufacturers and are responsible for the management of such contract manufacturer network. Apparel supply chain solutions providers control the whole supply chain, facilitate the production process, and provide fashion and technical design services to customers when necessary.

### **Apparel production value of supply chain solutions industry**

As the apparel retail market experienced steady growth and an increasing number of apparel retail brands have engaged apparel supply chain solutions providers for better cost-efficiency and quality control, the market size of the apparel supply chain solutions industry also recorded stable growth. Going forward, with the steady expansion in global apparel retail market as well as technological advancement such as virtual sampling and 3D design, the global apparel supply chain industry is expected to grow further. It is estimated that the future global apparel production value will continue to grow at a CAGR of approximately 4.3%. The global production value of supply chain solutions industry is forecasted to rise from approximately US\$502.8 billion in 2018 to approximately US\$620.0 billion in 2023, according to Frost & Sullivan.

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### Global apparel production value of supply chain solutions industry by apparel category

Apparel category	Market share by	Production	Production	Expected	CAGR	CAGR
	production value in 2018	value in 2014	value in 2018	production value in 2023	from 2014 to 2018	from 2019E to 2023E
		<i>US\$ billion</i>	<i>US\$ billion</i>	<i>US\$ billion</i>		
Shirts	20.0%	84.8	100.6	125.6	4.4%	4.6%
Bottoms	18.0%	76.9	90.5	112.0	4.2%	4.3%
Outerwear	6.0%	26.8	30.2	35.1	3.0%	3.1%
Suit	5.0%	20.9	25.1	31.8	4.7%	4.8%
Athleisure	11.8%	48.8	59.3	77.1	5.0%	5.4%
Others <sup>Note 1</sup>	39.2%	169.3	197.1	238.4	3.9%	3.8%
<b>Total Market</b>	<b>100.0%</b>	<b>427.5</b>	<b>502.8</b>	<b>620.0</b>	<b>4.1%</b>	<b>4.3%</b>

Source: Frost & Sullivan Report

Notes:

- Others include underwear, sweaters, dress, loungewear, accessories, etc.
- Production values for cut-and-sewn knit, soft wovens and denim are spread out across the above categories and cannot be directly inferred from the above table.

### Key drivers and trends

#### (i) Continuing expansion of global apparel market driven by online sales

The global apparel market is expected to grow steadily at a CAGR of approximately 4.0% from 2019 to 2023 and digitally native brands and platforms will be the key driver. It will be vital for the apparel supply chain solutions providers to cater to digitally native brands and platforms, which often require short production lead time, small order volume with quick replenishments as well as the technical know-how in apparel manufacturing process from supply chain solutions providers. However, despite their strong growth potential, digitally native brands and platforms, especially those emerging ones, tend to lack in-depth understanding of the apparel supply chain solutions industry. As such, reaching out to these digitally native brands and platforms through proactive marketing approaches will be necessary.

#### (ii) Developing multi-jurisdiction contract manufacturer and supplier network

Serving international apparel brands requires a multi-jurisdiction supplier network. In particular, these apparel brands are often highly conscious of international trade policies between various jurisdictions. In 2018, the EU and Vietnam agreed on a trade agreement that will offer more trading opportunities for companies on both sides by removing tariffs, reducing regulatory barriers and opening up services and public procurement markets. Moreover, the

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## INDUSTRY OVERVIEW

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U.S. and Indonesia signed the Trade and Investment Framework Agreement to discuss ways to further strengthen trade relations and promote free, fair, and reciprocal trade between the two countries. The ASEAN-China Free Trade Agreements aim to strengthen and enhance economic, trade and investment cooperation between participating parties and progressively liberalise and promote trading in goods and services as well as creating a transparent, liberal and facilitative investment regime. These trading agreements will further encourage apparel supply chain solutions providers to develop multi-jurisdiction contract manufacturer and supplier network to better serve their customers and thereby enhance their competitiveness. In addition, the apparel contract manufacturing sector in China is undergoing transformation and shifting towards serving the premium market. Apparel brands, especially those targeting the mass market, will prefer having their apparel products produced in countries other than China due to lower costs.

### *(iii) Increasingly diversified portfolio*

To improve competitiveness, apparel supply chain solutions providers should expand their portfolio of apparel categories and enhance the quality of service. This can be achieved by either organically developing its own technical know-how or acquiring such expertise from existing market players with a strong knowledge base. Acquisitions are more common in the supply chain solutions industry given organic development of new apparel categories is time consuming. Frost & Sullivan, based on its trade interviews with representatives from apparel supply chain solutions providers (excluding our Company), finds that over one-third of its interviewees had either undertaken acquisition activities in the past three years to further expand their businesses and apparel product portfolios or plan to expand their apparel product portfolios through acquisitions from 2020 to 2025 so as to strengthen their business competitive advantages. Further, from the trade interviews with representatives, approximately 23.0% of these companies whose annual sales range from US\$4.0 million to US\$80.0 million, stated that they are planning or considering to sell their shares for various purposes such as financing their ongoing projects (or projects in the pipeline), enlarging their customer bases, introducing strategic partners or merely for their market exit. Given the large number of industry participants within the global apparel supply chain solutions industry (over 100,000 players), Frost & Sullivan is of the view that there are plenty of acquisition targets within the Company's intended selection criteria available in the market.

Offering multi-apparel categories can also reduce the exposure to fashion cycles in respect of brands and/or type of apparel items as well as enhancing cross selling opportunity with the same clientele. Thus, offering multi-apparel categories will be a trend for the apparel supply chain solutions industry. According to the Frost & Sullivan Report, the global production value of apparel supply chain industry for athleisure, cut-and-sewn knit, soft wovens and denim increased steadily from approximately US\$117.3 billion in 2014 to approximately US\$139.8 billion in 2018, representing a CAGR of 4.5% and is expected to experience a faster growth at a CAGR of 5.2% from 2019 to 2023, reaching an estimated global production value of approximately US\$179.3 billion by 2023. As customers have increasingly favoured an active living, athleisure is the largest apparel category amongst the total four additional apparel categories and the global production value for athleisure reached approximately US\$59.3 billion in 2018 and is expected to reach approximately US\$77.1 billion in 2023, at a CAGR of approximately 5.4% from 2019 to 2023. The global production value



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for denim, cut-and-sewn knit and soft wovens also reached approximately US\$42.7 billion, US\$22.1 billion and US\$15.6 billion in 2018, and are expected to grow at CAGRs of approximately 5.4%, 4.6% and 4.4% respectively from 2019 to 2023, reaching a global production value of approximately US\$55.2 billion, US\$27.6 billion and US\$19.4 billion respectively in 2023.

### *(iv) Advancement of technology*

The advancement and adoption of technology will promote the development of the apparel supply chain solutions industry by enhancing quality of services provided and reducing production lead time. For instance virtual sampling and 3D design can facilitate the communication between designers, supply chain solutions providers and contract manufacturers and in turn significantly shorten the production lead time. Virtual sampling and 3D design also drastically reduce product development costs and improve the efficiency of producing smaller orders, thus improving the financial viability of serving small emerging brands. When the technologies in apparel industry such as virtual sampling and 3D design become more mature, more supply chain solutions providers will devote resources into these areas.

## **Challenges**

### *(i) Rising labour costs*

Increasing labour costs, especially in China, impose pressure on the profitability of apparel supply chain solutions providers (who bear the labour costs indirectly as part of the costs for finished goods). Notwithstanding this, some apparel retailers still prefer to engage contract manufacturers in China given their well-developed supply chains as well as their capability in delivering high quality products. Nonetheless, the average annual salary of urban employees in manufacturing industry in China increased from approximately US\$8,013 in 2014 to approximately US\$10,530 in 2018, representing a CAGR of approximately 7.1%, and is expected to grow at a CAGR of approximately 6.0% from 2019 to 2023. In light of such increase, many supply chain solutions providers have been developing multi-jurisdiction networks to hedge against such increase in labour costs in China.

### *(ii) Geopolitical risks*

Since apparel supply chain solutions providers manage cross-border trades, they are inevitably exposed to geopolitical risks. The adverse changes and developments in global trade policies and trade measures, such as the imposition of higher tariffs, new quotas or other trade barriers may induce extra costs and cause delay of deliveries, and in turn adversely affect apparel supply chain solutions providers' growth prospects and financial performance. Apparel supply chain solutions providers with multi-jurisdiction manufacturing network are in a better position to respond effectively to changes in global trade policies and mitigate imminent geopolitical risks.

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In particular, the Sino-U.S. trade war has started since July 2018 when the U.S. first imposed tariffs on the products of China and China imposed retaliatory tariffs on the U.S. products in return. Since then, there has been a number of new tariffs announced by both China and the U.S. followed by several rounds of negotiations. According to Frost & Sullivan, the Sino-U.S. trade war may significantly and adversely affect apparel supply chain solutions providers who principally serve U.S.-based customers with a contract manufacturer network only in China because garment products exported from China are subject to a 15.0% tariff upon entry to the U.S. as a result of the US\$300 billion tariff action put forward by the U.S. in August 2019, effective from 1 September 2019. These tariffs will be charged on top of the customs duties applicable to garment products. Currently, the primary apparel categories of our Group generally fall within a customs duty range of 9.4% to 17.5%. However, on the basis that (i) our Group has a multi-jurisdiction contract manufacturer network in China, Vietnam and other jurisdictions; and (ii) our U.S.-based customers (among our customers based in other jurisdictions) may shift their production to jurisdictions other than China through our Group to mitigate the impact of the additional tariff imposed, Frost & Sullivan is of the view that the Sino-U.S. trade war has minimal impact on us, and may further drive additional businesses to us from other apparel supply chain solutions provider which does not offer any alternatives to China based contract manufacturers.

### **Entry barriers**

#### ***(i) Changing requirements from customers***

Requirements from apparel retailers shift in accordance with the changing demands of consumers. Apparel supply chain solutions providers are required to stay abreast of the latest fashion trends and have sound supply chain support from both contract manufacturers and raw material suppliers. New entrants without a solid foundation of technical know-how may find it challenging to accurately realise customers' new designs to accommodate the required production lead time. Moreover, established apparel supply chain solutions providers with time-honoured track record generally enjoy more business flexibility such as better credit terms with raw material suppliers and stronger bargaining power when securing contract manufacturers' production capacity, which is of increasing importance as customers seek for more flexibility in their supply chain to better cater to the accelerating changes in consumers' preference.

#### ***(ii) Long standing customer relationships***

The apparel supply chain solutions market is quite competitive and new entrants consistently face pressure from well-established players in this market who often have long-term and close cooperative relationships with local and international apparel brands. It is difficult for new entrants to win significant market share from reputable and/or sizable brands without proven track records, which require time to establish. New entrants also have fewer resources to satisfy customers' needs such as accommodating urgent orders if the need arises without compromising on quality. Many apparel brands, especially emerging ones with less conventional business models, highly value suppliers who have supported them during their initial years with whom they have established mutual trust and tacit understanding.

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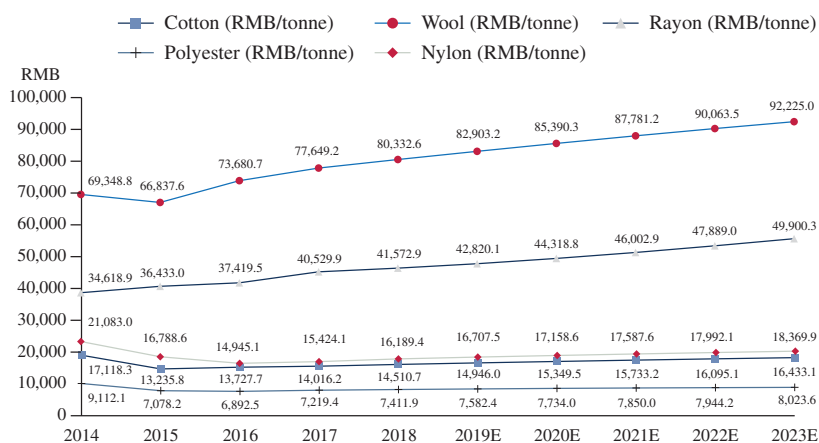
### (iii) Industry knowledge and skills

Apparel brands, especially premium ones, place great emphasis on supply chain solutions providers' technical and industry knowledge. To acquire such technical and industry knowledge, suppliers need to devote a considerable amount of capital and time to educate and train its current employees and accumulate relevant experience by producing for premium customers, who may not work with new entrants without proven track records. Thus, it will be difficult for new players to enter the industry without sufficient technical know-how, capital and industry knowledge.

### Raw material price analysis

Cotton, polyester, wool, nylon and rayon are the five major raw materials used in China apparel manufacturing industry. In 2015, the PRC government replaced its stockpiling program with a subsidy regime. As China is a main source of cotton, this caused a significant drop in cotton price from approximately RMB17,118.3 per tonne in 2014 to approximately RMB13,235.8 per tonne in 2015, representing a decrease of approximately 22.7%. Meanwhile, the bearish oil market throughout 2015 and 2016 coupled with sluggish market demand also imposed pressure on nylon's and polyester's selling prices in these two years. All these five major raw materials' prices recorded steady growth from 2016 to 2018 due to the stable economic growth in China and are expected to increase steadily from 2019 to 2023.

**Unit price of five major raw materials of apparel manufacturing (the PRC), 2014-2023E**



Source: Frost & Sullivan Report

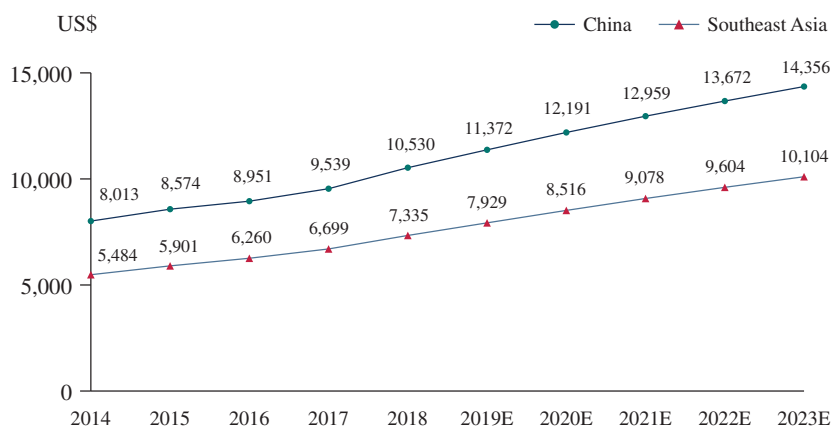
### Labour cost analysis

The general manufacturing industry in China is upgrading and restructuring to provide more value-added services. Under such background, the apparel manufacturing industry in China is anticipating further wage inflation, imposing pressure on the profitability of apparel supply chain solutions providers who bear the labour costs indirectly. The average annual salary of urban employees in the manufacturing sector in China increased from approximately

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US\$8,013 in 2014 to approximately US\$10,530 in 2018, representing a CAGR of approximately 7.1%, and is expected to grow to approximately US\$14,356 in 2023 at a CAGR of approximately 6.0% from 2019. Labour costs in Southeast Asia also experienced steady increase albeit from a lower base. The average annual salary of urban employees in the manufacturing sector in Southeast Asia increased from approximately US\$5,484 in 2014 to approximately US\$7,335 in 2018, representing a CAGR of approximately 7.5%. It is expected to reach approximately US\$10,104 in 2023, demonstrating a CAGR of approximately 6.2% from 2019 to 2023, according to Frost & Sullivan.

**Average annual salary of urban employees in manufacturing industry, 2014-2023E**



Source: Frost & Sullivan Report

## COMPETITIVE LANDSCAPE ANALYSIS

### Overview of the competition environment and market concentration

The global apparel supply chain solutions market is fragmented with more than 100,000 players as at the end of 2018, representing a highly competitive landscape. Given the nature of the apparel supply chain industry with its many players, each with its own attributes and segmentation, it is not practicable to quantify their market shares.

Leading players in the apparel supply chain solutions market can deliver additional value-added services to customers including fashion and technical design as well as provision of advice throughout the supply chain instead of merely manufacturing products for customers. Benefiting from the extensive experience in the market, leading players have also established long-term cooperative relationships with raw materials suppliers as well as contract manufacturers, thus securing sufficient and steady supply of raw materials and production capacity.

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## REGULATORY OVERVIEW

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### REGULATORY REQUIREMENTS IN HONG KONG

This part sets out the summary of certain material aspects of Hong Kong laws and regulations which are relevant to our Group's business operation.

#### **Business operations 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 and 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).

##### *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) consolidates and amends the laws with respect to the terms to be implied in contract for the supply of services (including a contract 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). It is applicable to our Group's apparel supply chain solutions business. It provides that:

- (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

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## REGULATORY OVERVIEW

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- (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.

Where a supplier is dealing with a party to a contract for the supply of a service who deals as a consumer, the supplier cannot, by reference to any contract term, exclude or restrict any liability of his arising under the contract by virtue of the Supply of Services (Implied Terms) Ordinance. Otherwise, where any right, duty or liability would arise under a contract for the supply of a service by virtue of the Supply of Services (Implied Terms) Ordinance, it may (subject to the Control of Exemption Clauses Ordinance) (Chapter 71 of the Laws of Hong Kong) be negated or varied by express agreement, or by the course of dealing between the parties, or by such usage as binds both parties to the contract.

### *Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong)*

The Control of Exemption Clauses Ordinance aims to limit the extent to which civil liability for breach of contract, or for negligence or other breach of duty, can be avoided by means of contract terms and otherwise.

Under section 7 of Control of Exemption Clauses Ordinance, a person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his liability for death or personal injury resulting from negligence. Further, in the case of other loss or damage, a person cannot so exclude or restrict his liability for negligence except in so far as the term or notice satisfies the requirement of reasonableness.

Under section 8 of Control of Exemption Clauses Ordinance, as between contracting parties where one of them deals as consumer or on the other's written standard terms of business, as against that party, the other cannot by reference to any contract term (i) when himself in breach of contract, exclude or restrict any liability of his in respect of the breach; (ii) claim to be entitled to render a contractual performance substantially different from that which was reasonably expected of him; or (iii) claim to be entitled in respect of the whole or any part of his contractual obligation, to render no performance at all, except in so far as the contract term satisfies the requirement of reasonableness.

Under section 9 of Control of Exemption Clauses Ordinance, a person dealing as consumer cannot by reference to any contract term be made to indemnify another person (whether a party to the contract or not) in respect of liability that may be incurred by the other for negligence or breach of contract, except in so far as the contract term satisfies the requirement of reasonableness.

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Under section 11 of Control of Exemption Clauses Ordinance, as against a person dealing as consumer, liability for breach of the obligations arising from section 15, 16 or 17 of the Sale of Goods Ordinance (seller's implied undertakings as to conformity of goods with description or sample, or as to their quality or fitness for a particular purpose) cannot be excluded or restricted by reference to any contract term, and as against a person dealing otherwise than as consumer, the liability arising from section 15, 16 or 17 of the Sale of Goods Ordinance can be excluded or restricted by reference to a contract term, but only in so far as the term satisfies the requirement of reasonableness.

Sections 7, 8 and 9 of the Control of Exemption Clauses Ordinance do not apply to any contract so far as it relates to the creation or transfer of a right or interest in any patent, trade mark, copyright, registered design, technical or commercial information or other intellectual property, or relates to the termination of any such right or interest.

In relation to a contract term, the requirement of reasonableness for the purposes of the Control of Exemption Clauses Ordinance is satisfied only if the court or arbitrator determines that the term was a fair and reasonable one to be included having regard to the circumstances which were, or ought reasonably to have been, known to or in the contemplation of the parties when the contract was made.

### *Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)*

The aim of the Trade Descriptions Ordinance is to prohibit false trade description, false, misleading or incomplete information, false statements, etc., respecting goods and services provided in the course of trade. The definition of trade description under Trade Descriptions Ordinance covers a broad range of matters including but not limited to the following aspects of goods: quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard, approval by any person, a person by whom the goods have been acquired, and the goods being of the same kind as goods supplied to a person, etc.

Under section 7 of the Trade Descriptions Ordinance, any person who in the course of any trade or business applies a false trade description to any goods or supplies or offers to supply any goods to which a false trade description is applied commits an offence.

Under section 7A of the Trade Descriptions Ordinance, a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer, or supplies or offers to supply to a consumer a service to which a false trade description is applied commits an offence.

Sections 13E, 13F, 13G, 13H and 13I of the Trade Descriptions Ordinance provide that a trader commits an offence if the trader engages, in relation to a consumer, in a commercial practice that is a misleading omission or is aggressive, or that constitutes bait advertising, a bait and switch or wrongly accepting payment for a product.



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Anyone who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I of the Trade Descriptions Ordinance shall be liable, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for five years, and on summary conviction, to a fine of HK\$100,000 and to imprisonment for two years.

### *Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong)*

The Trade Marks Ordinance is a statute enacted to make provision in respect of the registration of trade marks. The Ordinance provides (amongst other things) that a person infringes a registered trade mark if the person uses in the course of trade or business a sign which is:

- (a) identical to the registered trade mark in relation to goods or services which are identical to those for which it is registered;
- (b) identical to the registered trade mark in relation to goods or services which are similar to those for which it is registered and such use is likely to cause confusion on the part of the public;
- (c) similar to the registered trade mark in relation to goods or services which are identical to or similar to those for which it is registered and such use is likely to cause confusion on the part of the public; or
- (d) identical or similar to the registered trade mark in relation to goods or services which are not identical or similar to those for which the trademark is registered, and the trade mark is entitled to protection under the Paris Convention as a well-known trade mark, and such use, being without due cause, takes unfair advantage of or is detrimental to the distinctive character or repute of a trade mark.

Under the Trade Marks Ordinance, the owner of a trade mark may bring infringement proceedings against the infringer for damages, injunction, accounts or any other relief available in law.

As at the Latest Practicable Date, our Group registered four trademarks in Hong Kong relating to our Group's business. Our Directors confirm that our Group did not receive any claim for trade mark infringement during the Track Record Period and up to the Latest Practicable Date. For further details of our Group's material intellectual property rights in Hong Kong, please refer to the paragraph headed "8. Material intellectual property rights of our Group" in Appendix IV to this prospectus.

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### *Copyright Ordinance (Chapter 528 of the Laws of Hong Kong)*

The Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) makes provisions in respect of copyright and related rights and for connected purposes.

It provides that the copyright owner has the exclusive right to, among other things, copy the work and to issue, rent and make available copies of the work to the public.

Those acts if carried out by anyone without the licence of the copyright owner constitute primary infringement of the copyright.

The following acts, among other things, if done without the licence of the copyright owner, would constitute secondary infringement:

- (a) imports into Hong Kong or exports from Hong Kong, otherwise than for his private and domestic use, a copy of the work which is, and which he knows or has reason to believe to be, an infringing copy of the work; and
- (b) possesses for the purpose of or in the course of any trade or business, sells or lets for hire or offers or exposes for sale or hire, exhibits in public or distributes for the purpose of or in the course of any trade or business, or distributes (otherwise than for the purpose of or in the course of any trade or business) to such an extent as to affect prejudicially the owner of the copy right, a copy of the work which is, and which he knows or has reason to believe to be, an infringing copy of the work.

Further, under section 118(1) of the Copyright Ordinance, a person commits an offence if he, without the consent of the copyright owner of a copyright work, among other things, makes for sale, or hire an infringing copy of the work, or importing into Hong Kong or exporting from Hong Kong an infringing copy of the work otherwise than for his private and domestic use, or possesses an infringing copy of the work with a view to its being, among other things, sold or let for hire by any person for the purpose of or in the course of that trade or business.

A person who contravenes section 118(1) of the Copyright Ordinance shall be guilty of an offence and shall be liable to a fine of HK\$50,000 and to imprisonment for four years.

The Directors confirm that our Group did not receive any claim for copyright infringement during the Track Record Period and up to the Latest Practicable Date.

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### **Employment**

#### ***Employment Ordinance (Chapter 57 of the Laws of Hong Kong)***

The Employment Ordinance provides for, among other things, the protection of the wages of employees, to regulate general conditions of employment, and for matters connected therewith. Under section 25 of the Employment Ordinance, where a contract of employment is terminated, any sum due to the employee shall be paid to him as soon as it is practicable and in any case not later than seven days after the day of termination. Any employer who wilfully and without reasonable excuse contravenes section 25 of the Employment Ordinance commits an offence and is liable to a maximum fine of HK\$350,000 and to imprisonment for a maximum of three years. Further, under section 25A of the Employment Ordinance, if any wages or any sum referred to in section 25(2)(a) are not paid within seven days from the day on which they become due, the employer shall pay interest at a specified rate on the outstanding amount of wages or sum from the date on which such wages or sum become due up to the date of actual payment. Any employer who wilfully and without reasonable excuse contravenes section 25A of the Employment Ordinance commits an offence and is liable on conviction to a maximum fine of HK\$10,000.

#### ***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 and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases. The ordinance in general applies to all full-time and part-time employees who are employed under a contract of service or apprenticeship in any employment.

According to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and sub-contractors) are required to take out insurance policies for all their employees (including full-time and part-time employees) to cover their liabilities under the Employees' Compensation Ordinance and at common law for work injuries for an amount not less than the applicable amount specified under this ordinance. Currently, the applicable amount is HK\$100 million per event where the number of employees in relation to whom the policy is in force does not exceed 200, and the applicable amount is HK\$200 million per event where the number of employees in relation to whom the policy is in force exceeds 200. An employer who fails to secure the said insurance cover is liable on conviction to a maximum fine of HK\$100,000 and imprisonment for up to two years and on a summary conviction to a fine of HK\$100,000 and imprisonment for one year.

#### ***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.

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Statutory minimum wage became effective on 1 May 2011 and with effect from 1 May 2019, the minimum wage rate has been set at HK\$37.5 per hour. 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 two years to the Chief Executive of Hong Kong, and the Chief Executive of Hong Kong may adjust the statutory minimum wage having regard to such recommendation.

### ***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 sixty days or more in a Mandatory Provident Fund scheme (“MPF”) within the first sixty days of employment.

The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to the minimum and maximum relevant income levels. For monthly-paid employees, the minimum and maximum relevant income levels are HK\$7,100 and HK\$30,000 respectively as at the Latest Practicable Date. Above the maximum income level, monthly contributions payable by each of the employer and employee are capped at HK\$1,500 as at the Latest Practicable Date.

### **Health and safety**

#### ***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, both industrial and non-industrial and is therefore applicable to our Group’s employees in general. Among others, employer must, as far as reasonably practicable, ensure the safety and health at work of all its employees by:

- (a) providing and maintaining plant and work systems that are, so far as reasonably practicable, safe and without risks to health;
- (b) making arrangement for ensuring, so far as reasonably practicable, safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- (c) providing all necessary information, instruction, training and supervision to employees as may be necessary to ensure, so far as reasonably practicable, safety and health;

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- (d) providing and maintaining the workplace, and safe access to and egress from the workplace that are, so far as reasonably practicable, safe and without risks to health; and
- (e) providing and maintaining work environment that is, so far as reasonably practicable, safe and without risks to health.

An employer who fails to do so 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 against non-compliance of 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 twelve months.

### *Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)*

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Ordinance also imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

### **Transfer Pricing**

#### *The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)*

Section 20A of the Inland Revenue Ordinance gives the Inland Revenue Department of Hong Kong (the “**IRD**”) a wide range of powers to collect tax due from non-residents. The IRD may also make transfer pricing adjustments by disallowing expenses incurred by Hong Kong residents under sections 16(1) and 17(1)(b) of the Inland Revenue Ordinance and may also make additional assessments under section 60 of the Inland Revenue Ordinance. The IRD may also challenge the entire arrangement under general anti-avoidance provisions according to sections 61 and 61A of the Inland Revenue Ordinance.

In April 2009, the IRD released Departmental Interpretation and Practice Note No. 45 in which it stated that where double taxation arises as a result of transfer pricing adjustments made by the tax authorities of another country, a Hong Kong taxpayer may potentially claim relief under the treaty between Hong Kong and that country (countries entered into tax arrangements with Hong Kong includes the PRC).

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In December 2009, the IRD issued Departmental Interpretation and Practice Note No. 46 in which clarifications and guidance on IRD's views on transfer pricing and its application of the existing provisions of the Inland Revenue Ordinance as to whether related parties are transacting at arm's length prices are provided. In general, the practices followed by the IRD are based on the transfer pricing methodologies recommended by the Organisation for Economic Co-operation and Development ("OECD") Transfer Pricing Guidelines.

The Hong Kong Government has gazetted the Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the "**Amendment Ordinance No. 6**") on 13 July 2018. The Amendment Ordinance No. 6 introduces provisions for a statutory transfer pricing regime and for transfer pricing documentation in Hong Kong. The major aspects covered under the Amendment Ordinance No. 6 are as follows:

- codifying arm's length principle for related party transactions;
- introducing transfer pricing documentation in Hong Kong, which includes country-by-country report, master file and local file;
- codifying Advance Pricing Arrangement ("**APA**")<sup>(Note)</sup> regime and extend application to unilateral APAs;
- introducing a legal framework for mutual agreement procedures, which includes arbitration.

These major provisions under the Amendment Ordinance No. 6 apply to years of assessment commencing from 1 April 2018. In terms of arm's length requirement, the transfer pricing consultant of our Group, which is an international accounting firm, is of the view that the material inter-company transactions between certain Hong Kong and PRC entities of the Group during the Track Record Period were conducted in a manner satisfying the arm's length principle from the Hong Kong and the PRC perspectives for Hong Kong transfer pricing purpose, except for the manufacture and sale of apparel products by Han Jingyi Clothes (Shenzhen) Limited to the Hong Kong group entities for the year ended 31 December 2018 ("**FY2018 HJY Manufacturing Transaction**"). While the net cost plus ("**NCP**") margin of 3.24% derived by Han Jingyi Clothes (Shenzhen) Limited from the FY2018 HJY Manufacturing Transaction was within the interquartile range (i.e. arm's length range) of 1.50% to 8.81% established by the transfer pricing benchmarking study, it is below the median point (i.e. 3.53%) of the arm's length range. In this respect, while for Hong Kong transfer pricing purpose a taxpayer's profit level within the interquartile range should satisfy the arm's length principle, the PRC transfer pricing regulations require a taxpayer's profit level be at the median point or above. As the profit level for FY2018 HJY Manufacturing Transaction was below the median point, this may result in a transfer pricing adjustment upon a transfer pricing audit to bring the NCP of Han Jingyi Clothes (Shenzhen) Limited to the median point of 3.53%. If the PRC tax authority were to impose such a transfer pricing adjustment on Han Jingyi Clothes (Shenzhen) Limited, the potential tax liability arising will be approximately RMB11,000.

*Note:* An APA is an ahead-of-time agreement between a taxpayer and a tax authority on the application of the arm's length principle to the relevant related party transactions of the tax payer over a fixed period of time.

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The transfer pricing documentation requirements in Hong Kong include country-by-country report (“CbCR”), master file (“MF”) and local file (“LF”). In terms of CbCR obligation, the Group is below the threshold for reporting requirement even though the CbCR requirement is applicable for accounting years beginning on or after 1 January 2018. MF and LF are applicable for accounting years beginning on or after 1 April 2018. These reporting requirements are applicable to our Group for accounting years beginning on 1 January 2019 and our Group is below the threshold during the four months ended 30 April 2019. Hence, our Group should not have MF or LF obligation during the Track Record Period. Our Company will comply with the MF and LF requirements in subsequent accounting periods.

Based on the above, our Directors are of the view that the impact of Amendment Ordinance No. 6 on our Group’s operations and financial results is minimal.

### REGULATORY REQUIREMENTS IN THE PRC

The provision of our service is subject to PRC laws and regulations relating to the clothing design, import and export and manufacturing business. This section sets forth a summary of the principal laws and regulations in the PRC that are relevant to our business activities in China and the industries in which we operate.

#### **Establishment, operation and management of a Wholly Foreign-owned Enterprise (“WFOE”)**

##### *Company Law of the PRC 《中華人民共和國公司法》*

The Company Law of the PRC passed on 29 December 1993 and became effective from 1 July 1994, amended respectively on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, 26 October 2018, is the basic law that regulates limited liability companies and joint stock companies established within the PRC. The matters relating to WFOEs which are not covered in the Law of the PRC on Wholly Foreign-owned Enterprises shall be applicable to the Company Law of the PRC.

##### *Law of the PRC on Wholly Foreign-owned Enterprises and its detailed rules for its implementation 《中華人民共和國外資企業法》及其實施細則*

WFOEs should abide by the Law of the PRC on Wholly Foreign-owned Enterprises passed on 12 April 1986 and became effective from 12 April 1986, amended respectively on 31 October 2000 and 3 September 2016, and the Detailed Rules for the Implementation of the Law of the PRC on Wholly Foreign-owned Enterprises promulgated on 28 October 1990, amended respectively on 12 April 2001 and 19 February 2014 in order to engage in business activities within the PRC. The law and its Implementation regulate the Foreign-owned Enterprises from establishment procedure to form of organisation and even the cancellation.



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### *Catalogue of Industries for Guiding Foreign Investment* 《外商投資產業指導目錄》

The Catalogue of Industries for Guiding Foreign Investment was promulgated on the 28 June 1995 and was amended respectively on 29 December 1997, 4 March 2002, 30 November 2004, 31 October 2007, 24 December 2011, 10 March 2015 and 28 July 2017 and the 2017 amendment became effective from 28 July 2017, was jointly approved by the National Development and Reform Commission and the Ministry of Commerce (the “**Catalogue**”). The Catalogue is divided into three sections being “Catalogue of Encouraged Industries for Foreign Investment”, “Catalogue of Restricted Industries for Foreign Investment” and the “Catalogue of Prohibited Industries for Foreign Investment”. Companies are governed by the Catalogue in force at the time of their establishment. Base on the Catalogue, clothing design specifically falls under the Item 339 “Industrial design, architectural design, clothing design and other creative industries” of the “Catalogue of Encouraged Industries for Foreign Investment”.

### *Special Management Measures for the Access of Foreign Investment (Negative List) (2019)* 《外商投資准入特別管理措施 (負面清單) (2019年版)》

Jointly promulgated by the National Development and Reform Commission and the Ministry of Commerce on 30 June 2019 and became effective on 30 July 2019, the Special Management Measures for the Access of Foreign Investment (Negative List) (2019) (the “**Negative List**”) uniformly set forth the special administrative measures for the access of foreign investment. Fields not on the Negative List shall be administered under the principle of equal treatment to both domestic and foreign investment. Foreign investors cannot invest in any prohibited areas listed in the Negative List, approval would be required for those listed but not prohibited areas. The Negative List has no restrictions on our business in the PRC.

### **Intellectual property**

China has enacted various laws and regulations relating to the protection of copyright. China is a signatory to some major international conventions on protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October 1992, the Universal Copyright Convention in October 1992, and the Agreement on Trade-related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

### *Copyright Law of the PRC* 《中華人民共和國著作權法》

According to the Copyright Law of the PRC promulgated on 7 September 1990 and became effective from 1 June 1991, amended respectively on 27 October 2001 and 26 February 2010, Chinese citizens, legal persons, or other organisations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The purpose of the Copyright Law aims to encourage the creation and dissemination of works which is beneficial for the construction of socialist spiritual civilisation and material civilisation and promote the development and prosperity of Chinese culture.

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### *Trademark Law of the PRC* 《中華人民共和國商標法》

Trademarks are protected by the Trademark Law of the PRC which was promulgated on 23 August 1982 and lastly amended on 23 April 2019 as well as the Implementation Regulation of the Trademark Law of the PRC (Amended in 2014) 《中華人民共和國商標法實施條例(2014年修訂)》 adopted by the State Council on 3 August 2002 and amended on 29 April 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The Trademark Office under the State Administration for Industry and Commerce (which has merged into the State Administration for Market Regulation), handles trademark registrations and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. For trademarks, the Trademark Law of the PRC has adopted a “first come, first file” principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

### **Labour contracts and employee benefits**

#### *Labour Contract Law of the PRC* 《中華人民共和國勞動合同法》

According to the Labour Contract Law of the PRC passed on 29 June 2007 and became effective from 1 January 2008, amended on 28 December 2012, employers and employees shall sign employment contracts to establish their employment relationship. When hiring employees, employers are required to inform the employees about their job duties, working conditions, working places, occupational hazards, production safety conditions, remuneration and other matters which the employees may be concerned with. Employers and employees shall fulfil their respective obligations in accordance with the requirements of the employment contracts, and employers shall pay remuneration to employees on time and in full in accordance with the commitments and provisions set forth in the employment contracts and strictly adhere to the working quota standards, and are prohibited from compelling employees to work overtime directly or indirectly. At the time of terminating an employment contract, the employers shall provide evidence for such termination.

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### ***Social Insurance Law of the PRC*** 《中華人民共和國社會保險法》

According to the Social Insurance Law of the PRC passed on 28 October 2010 and became effective from 1 July 2011 and amended on 29 December 2018, employees shall participate in basic pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance schemes, maternity insurance and other social insurance. Basic pension, medical insurance and unemployment insurance contributions shall be paid by both employers and employees. Employees shall participate in occupational injury insurance and maternity insurance schemes and such contributions shall be paid by employers rather than employees.

### ***Regulation on Work-related Injury Insurance*** 《工傷保險條例》

According to the Regulation on Work-related Injury Insurance (2010 Revision) promulgated on 27 April 2003 and became effective from 1 January 2004, amended on 20 December 2010, PRC enterprises are obligated to contribute to the work-related injury insurance for their employees.

### ***Regulation on the Administration of Housing Accumulation Funds*** 《住房公積金管理條例》

The Regulation on the Administration of Housing Accumulation Funds, promulgated on 3 April 1999 and became effective from 3 April 1999, amended on 24 March 2002 and 24 March 2019, are applicable to enterprises with foreign investment. Enterprises shall register with the relevant housing accumulation fund management centre within 30 days from the date of establishment, and open housing accumulation fund accounts with designated banks on behalf of their employees within 20 days from the date of the registration with the verified documents of the housing accumulation fund management centre, and contribute to the housing accumulation fund at a rate of not less than 5% of the employees' average monthly salary in the previous year.

## **Imports and exports of goods**

### ***Customs Law of the PRC*** 《中華人民共和國海關法》

According to the Customs Law of the PRC passed on 22 January 1987 and became effective from 1 July 1987, amended respectively on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016 and last revised on 4 November 2017, the consignee or consignor of imported or exported goods shall complete the declaration formalities by registering at customs according to law. Pursuant to the Provisions of the Customs of the PRC on the Administration of Registration of Customs Declaration Entities (中華人民共和國海關報關單位註冊登記管理規定) promulgated by the General Administration of Customs on 13 March 2014 and amended on 20 December 2017 and 29 May 2018, unless otherwise provided for, all import and export goods must be declared and payment of duties on them may be completed by their sender or receiver (the “**consignor**”) or by representatives entrusted by the sender or receiver and approved by and registered with the Customs (the “**consignee**”). The consignee or consignor of imported or exported goods may complete their own declaration at any ports or any location with centralised customs operation in the PRC after completing the registration at customs.

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### ***Law of the PRC on Import and Export Commodity Inspection*** 《中華人民共和國進出口商品檢驗法》

According to the Law of the PRC on Import and Export Commodity Inspection passed on 21 February 1989 and became effective from 1 August 1989, amended respectively on 28 April 2002, 29 June 2013, 27 April 2018 and 29 December 2018 and its implementation regulations, the consignee or consignor of imported or exported goods may complete the clearance declaration with the customs themselves or entrust commodity clearance agency firms to complete the declaration procedures. The PRC government has adopted a filing and registration administration system for enterprises completing the declaration themselves. The consignee or consignor of imported or exported goods shall file with the relevant entry-exit inspection and quarantine authority according to law when handling the customer clearance procedures.

### ***Foreign Trade Law of the PRC*** 《中華人民共和國對外貿易法》

According to the Foreign Trade Law of the PRC passed on 12 May 1994 and became effective from 1 July 1994, amended respectively on 6 April 2004 and 7 November 2016, enterprises that engage in foreign trade are required to register with competent department of foreign trade of the State Council or its authorised institution. The PRC customs may refuse to handle the formalities for declaration and clearance of goods imported or exported by a foreign trade operator that fails to complete the record-filing registration formalities.

### **Foreign exchange**

### ***Regulation of the PRC on Foreign Exchange Administration*** 《中華人民共和國外匯管理條例》

According to the Regulation of the PRC on the Foreign Exchange Administration passed on 29 January 1996 and became effective from 1 April 1996, amended respectively on 14 January 1997 and 1 August 2008, international payment and transfer of foreign exchange under current accounts shall not be restricted. The foreign exchange income of a domestic institution or individual may be transferred back into the PRC or deposited overseas. Payment and receipt of foreign exchange under current accounts shall be based on true and legal transaction. Foreign exchange and foreign exchange settlement funds under capital account shall be used for the purposes approved by the competent authority and foreign exchange administrative department. Foreign institutions or individuals conducting direct investment in the PRC shall register with the foreign exchange administrative department after obtaining the approval from the competent authority. Domestic institutions or individuals conducting direct investment overseas or issuing or trading marketable securities or derivative products overseas shall complete the registration according to the requirements of the foreign exchange administration under the State Council.

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### *Law of the PRC on Wholly Foreign-owned Enterprises* 《中華人民共和國外資企業法》

According to the Law of the PRC on Wholly Foreign-owned Enterprises passed on 12 April 1986 and became effective from 12 April 1986, amended respectively on 31 October 2000 and 3 September 2016, WFOEs shall open accounts with the Bank of China or a bank designated by the State Administration of Foreign Exchange (中華人民共和國國家外匯管理局). Foreign exchange income of WFOEs shall be deposited to the foreign exchange account at the bank it has opened the account with and foreign exchange expenses shall be paid by the foreign exchange account. Foreign investors may remit abroad their legitimate profit, other lawful incomes and liquidated funds received from WFOEs.

### **Taxation**

#### *Enterprise Income Tax Law of the PRC and its implementation regulation* 《中華人民共和國企業所得稅法》及其實施條例

According to the Enterprise Income Tax Law of the PRC (the “EIT Law”) passed on 16 March 2007 effective from 1 January 2008 and amended on 24 February 2017 and 29 December 2018, the Regulation on the Implementation of Enterprise Income Tax Law of the PRC 《中華人民共和國企業所得稅法實施條例》 passed on 28 November 2007, promulgated on 6 December 2007 and effective from 1 January 2008 and amended on 23 April 2019, the enterprise income tax (“EIT”) for both resident and non-resident enterprises is at the same rate of 25%. Furthermore, resident enterprises, referring to enterprises that are set up in China, or set up under the law of a foreign country (region) but with actual office of management in China, shall pay EIT originating from both within and outside China. While non-resident enterprises that have set up institutions or premises in China shall pay EIT in relation to the income originating from China and obtained by their institutions or establishments, and the income incurred outside China but there is an actual relationship with the institutions or set up by such enterprises. Where non-resident enterprises that have not set up institutions or establishments in China, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay EIT in relation to the income originating from China.

#### *Interim Regulation of the PRC on Value-added Tax and the detailed rules for its implementation* 《中華人民共和國增值稅暫行條例》及其實施細則

According to the Interim Regulations on Value-added Tax of the PRC promulgated on the 13 December 1993 and became effective from 1 January 1994, amended respectively on 10 November 2008, 6 February 2016, 19 November 2017 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax (“VAT”). Taxpayers, who sell or import goods or provide processing services, repairs and replacement services, are subject to 17% VAT, unless otherwise provided. Pursuant to the Circular on Adjusting Value-added Tax Rates 《關於調整增值稅稅率的通知》, which was promulgated on 4 April 2018 and came into effect on 1 May 2018, where a VAT taxpayer engages in taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17% tax rate shall be adjusted to 16%.

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## REGULATORY OVERVIEW

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***Announcement No. 39 [2019] of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs*** 《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》(財政部、稅務總局、海關總署公告2019年第39號)

The Announcement No. 39 [2019] of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs issued on 20 March 2019 and implemented it on 1 April 2019. For the purposes of implementing the decisions and arrangements of the CPC Central Committee and the State Council, and advancing substantial cuts in VAT, the relevant matters concerning the VAT reform in 2019 are hereby announced as follows: the tax rate of 16% applicable to the VAT taxable sale or import of goods by a general VAT taxpayer shall be adjusted to 13%; and the tax rate of 10% applicable thereto shall be adjusted to 9%.

***Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-funded Enterprises and Citizens*** 《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》

According to the Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-funded Enterprises and Citizens effective from 1 December 2010, the Interim Regulation of the PRC on Urban Maintenance and Construction Tax 《中華人民共和國城市維護建設稅暫行條例》 and the Interim Provisions on the Collection of Educational Surcharges 《徵收教育費附加的暫行規定》 shall apply to foreign-funded enterprises, foreign enterprises and individuals of foreign nationalities.

Payment of urban maintenance and construction tax shall be based on the consumption tax, VAT and business tax which a taxpayer actually pays and shall be made simultaneously when the latter are paid. Furthermore, the rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in urban areas, in counties or township and in areas other than urban areas, counties and township respectively.

All entities and individuals who pay consumption tax, VAT and business tax shall also be required to pay educational surcharges in accordance with these regulations. The educational surcharges is 3% of the amount of VAT, business tax or consumption tax actually paid by each entity or individual, and the educational surcharges shall be paid simultaneously with VAT, business tax or consumption tax.

***Announcement of the State Administration of Taxation on Matters concerning Improving the Administration of Affiliation Reporting and Contemporaneous Documentation (Announcement No. 42 [2016] of the State Administration of Taxation)*** 《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》(國家稅務總局公告2016年第42號)

The Announcement of the State Administration of Taxation (“SAT”) on Matters concerning Improving the Administration of Affiliation Reporting and Contemporaneous Documentation (“**Announcement No. 42**”) was promulgated and implemented by the SAT on



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## REGULATORY OVERVIEW

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29 June 2016. Announcement No. 42 elaborates on the requirements of the SAT on the compliance of transfer pricing documents, and formally adopts a three-tier document structure including MF, LF and CbCR. Further, special issues file is required for taxpayers that have Cost Sharing Arrangements, or that exceed the applicable thin capitalisation thresholds. Multinational corporations reaching specific thresholds are required to submit aforementioned documents to the tax authorities. In addition, Announcement No. 42 also sets up a series of new transfer pricing declaration forms.

*Announcement of the State Administration of Taxation on the Issues Concerning Improving the Administration of Advance Pricing Arrangements (Announcement No. 64 [2016] of the State Administration of Taxation)* 《國家稅務總局關於完善預約定價安排管理有關事項的公告》(國家稅務總局公告2016年第 64號)

The SAT issued Announcement of the State Administration of Taxation on the Issues Concerning Improving the Administration of Advance Pricing Arrangements (“**Announcement No. 64**”) on 11 October 2016 and implemented it on 1 December 2016. In order to further improve the management of APA, and implement the double taxation avoidance agreement or arrangement signed by the PRC government. Announcement No. 64 divides APA between the taxpayer and the tax authority into preparatory meeting, expression of intention, analysis and assessment, formal application, negotiation and signing, and monitoring of execution. Announcement No. 64 require taxpayers to complete the expression of intention, analysis and assessment before the formal application. In addition, Announcement No. 64 also added the priority of accepting applications, as well as provisions for the exchange of information between the PRC tax authorities and the tax authorities of other countries or regions relating to the implementation of unilateral APAs.

*Announcement on Issuing the Measures for the Administration of Adjustments under Special Tax Investigation and Mutual Consultation Procedures (Announcement No. 6 [2017] of the State Administration of Taxation)* 《國家稅務總局關於發布<特別納稅調查調整及相互協商程序管理辦法>的公告》(國家稅務總局公告2017年第6號)

The Announcement on Issuing the Measures for the Administration of Adjustments under Special Tax Investigation and Mutual Consultation Procedures (“**Announcement No. 6**”) was issued by the State Administration of Taxation on 17 March 2017 and implemented on 1 May 2017. The role of Announcement No. 6 is to further improve the management of special tax investigation adjustment and mutual consultation procedures, actively apply the results of the OECD Base Erosion and Profit Shifting (“**OECD BEPS**”) action plan, and effectively implement the double taxation avoidance agreements or arrangements between the PRC and other countries or regions. Announcement No. 6 has improved and clarified the methods and procedures for transfer pricing methods, special tax investigations and adjustments. Announcement No. 6 further emphasises the risk management-oriented tax management system with the goal of cooperation between the enterprise and the tax authorities, and also reflects the application of the latest content of the OECD BEPS action plan in China’s special tax investigation and mutual consultation procedures.

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### EUROPEAN REGULATORY OVERVIEW

There are extensive EU rules on product safety, product liability, standards and labeling. The general framework for most consumer protection legislation within the EU is based on EU legislation but implemented and mostly enforced at the national level. Although the principal framework of laws on product safety and liability has been largely harmonised under EU law, each member state of the EU has its own consumer laws that may introduce further obligations. In addition, each national jurisdiction will have its own national laws covering issues such as negligence (or other forms of tortious liability), contract law, and laws relating to distribution and agency. It is important to distinguish between the so-called EU Regulations, which are directly applicable to the member states and EU Directives, which are not directly applicable or enforceable in the member states, but have to be implemented by each member state. Accordingly, there may be varying legal requirements in each member state.

The principal EU laws and regulations concerning product safety and product liability applicable to our Group and/or our products are set out below.

#### Laws Relating to Product Liability

The European Council Directive 85/374/EEC of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the member states concerning liability for defective products (the “**Product Liability Directive**” or “**PLD**”) of the EU lays down the principle that the producer of a product is liable for damage that was caused by a defect in its products (Art. 1 of the PLD). It applies to damage such as death or personal injury or damage that was caused to an item of property intended for private use.

Under the PLD, a product is defective if it fails to provide the safety which a person is entitled to expect, taking into account of all circumstances, including the presentation of the product, the reasonable use of the product and the time when the product was put into market circulation (Art. 6(1) of the PLD). A product shall not be considered defective for the sole reason that a better product is subsequently put into circulation (Art. 6(2) of the PLD). An injured person carries the burden of proof of damage, the defect in the product and the causal relationship between such damage and defect, but he does not have to prove negligence or fault of the producer or importer (Art. 4 of the PLD).

However, according to Art. 7 of the PLD, the producer would not be held liable under the PLD if it can prove that, in particular, (i) the defect did not exist at the time when the product was put into circulation by him or that this defect came into being after the product was put into circulation; or (ii) the state of scientific and technical knowledge at the time when the product was put into circulation was insufficient to identify the defect (at that time). However, with regard to exception (ii), the PLD states expressly that member states may deviate from that provision and hold the producer liable even if at the time of circulation, the state of scientific and technical knowledge was insufficient to identify the defect.



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According to Art. 10 of the PLD, member states shall provide for a limitation period of three years which shall apply to proceedings for the recovery of damages under the PLD, beginning from the day on which the injured person became aware, or should reasonably have become aware, of the damage, the defect and the identity of the producer. With regard to suspension or interruption of the limitation period, the national law of each member state applies.

However, according to Art. 11 of the PLD, upon the expiry of a period of 10 years from the date on which the producer put into circulation the actual product which caused the damage, an injured person's rights under the PLD shall be extinguished, unless the injured person has in the meantime instituted proceedings against the producer.

The liability of the producer under the PLD may not, in relation to the injured person, be limited or excluded by a provision limiting his liability or exempting him from liability.

If our Group qualifies as a producer of a product under the PLD, our Group could be held strictly liable for damages (compensatory damages to put the injured party back in the position they would have been had the product not been defective and damages for death or personal injury) that was caused by a defect in the product in the EU. Our Group may be considered a producer under the PLD because we organise the manufacture of products. If we were to import products into the EU, which we do not currently intend to do, we would be jointly and severally liable for damages under the PLD as an importer. Liability under the PLD may also be imposed on any person in the supply chain who fails to identify the manufacturer or other person who supplied the product to it and accordingly liability may be imposed on us if we were unable to identify the person who supplied the product to us.

There may also be civil claims in both contract (for breach of an implied term of not supplying a product of adequate quality) and tort (such as negligence) in respect of product liability or safety and consumer protection. However, these are subject to the national law of each member state (or possibly, in particular for contractual claims, the applicable law as agreed upon by the parties).

### **Laws Relating to Product Safety**

Directive 2001/95/EC of the European Parliament and the European Council of 3 December 2001 on general product safety (the "**General Product Safety Directive**" or "**GPSD**") of the EU applies to products that can be used directly by consumers and lays down a general safety requirement imposed on producers and distributors of any product on the EU market that is used or under reasonably foreseeable conditions likely to be used by consumers.

In general, the producers must place only safe products on the EU market. A product shall be deemed safe if it complies with specific European requirements, where such requirements exist, and if it conforms to the specific rules of national law of the member state in whose territory the product is marketed.

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## REGULATORY OVERVIEW

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In particular, the producers must (i) provide consumers with the necessary information in order to assess a product's inherent threat during its normal or expected use, particularly when such inherent threat is not directly obvious; and (ii) take the necessary and proportionate measures to avoid such inherent threats. If the producers discover that a product is dangerous, they must notify the competent authorities and if necessary, cooperate with them.

If our Group qualifies as a producer of a product under the GPSD in relation to an unsafe product imported into the EU, it will commit a criminal offence and the maximum penalty is an unlimited fine or imprisonment, or both. Our Group may be considered a producer under the GPSD because we organise the manufacture of products and may constitute a professional in the supply chain whose activities may affect the safety properties of the product. If we were to import products into the EU, which we do not currently intend to do, we would also be strictly liable under the GPSD in respect of any unsafe product. Any person who holds itself out as the producer by placing its name or trademark on the product would also be strictly liable under the GPSD in relation to an unsafe product.

Our Group has obligations under the GPSD as a distributor which require us to act with due care in order to help ensure compliance with applicable safety requirements and to participate in monitoring the safety of products which have been placed on the market.

In addition to the GPSD, under EU law many products are subject to specific minimum safety requirements (known as “**essential requirements**”) depending on the nature of the product in question.

### **Enforcement action-product liability and product safety**

In relation to civil claims for compensation which may be made against our Group, the Directors believe that it is more likely that a consumer would pursue their claim against the EU retailer and/or any person who holds itself out as the producer by placing its name or trademark on the product (“**Own-branders**”).

As regards enforcement action in relation to unsafe products, our Group deliver our products to our overseas customers primarily on free-on-board terms and does not have an establishment in any member state of the EU. Therefore, the Directors believe that EU or its member state authorities would be more likely to approach the importer of the product and/or any own-brander and prescribe appropriate measures (e.g. recall, taking product off the market), should the product not comply with European safety requirements rather than approaching us.

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### Future changes

#### *Brexit*

The UK is currently anticipated to leave the EU on 31 October 2019. However, there is a great deal of uncertainty as to whether that will happen, and if so, how. In brief, the most likely alternatives are (i) the UK leaves the EU without a withdrawal agreement in place (“**No-deal Brexit**”); (ii) the UK leaves the EU with a withdrawal agreement in place; or (iii) Brexit is halted/cancelled altogether (i.e. the UK remains in the EU).

The most disruptive possibility is No-deal Brexit because EU law would immediately cease to apply in the UK albeit that the current rules in relation to product liability and safety would continue to apply from the date of Brexit but may diverge from the EU regimes thereafter. This has the potential consequence that products of our Group will need to satisfy both the UK and EU regimes after Brexit.

### UNITED STATES LAWS AND REGULATIONS

#### **Laws Related to Product Liability**

The manufacture and supply of products is subject to a body of product liability laws and product safety laws in the United States.

There is no uniform product liability statute or federal common law in the United States, and state laws on product liability can differ from state to state, as some states may be more plaintiff-friendly than others.

Product liability law is generally promulgated by individual state laws that govern the liability of manufacturer and sellers of products for bodily injuries and property damage that arise as a result of either one of, or a combination of, the following defects, including (i) manufacturing defect; (ii) design defect; or (iii) failure to warn. Parties involved in a product’s chain of distribution including manufacturing, distributing or selling a product may be subject to liability for harm caused by a defect in that product. Product liability claims in the United States are typically based on three theories of law (i) strict liability; (ii) negligence; and (iii) breach of warranty.

Strict liability is generally the most common cause of action asserted in lawsuits involving allegedly defective products. Unlike claims of negligence, strict liability wrongs do not depend on the degree of diligence by the defendant. The analysis depends solely on the product and whether it was defective at the time it left the hands of the manufacturer. Generally speaking, under the strict liability theory, each seller (including the manufacturer) in the distribution chain may be held liable when a product reaches the user or consumer without substantial change in the condition in which it is sold, and is found to be unreasonably dangerous to the user. Strict liability claims do not depend on proof of the existence of a contract or of fault, and liability essentially accrues to any party responsible for such defect in

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## REGULATORY OVERVIEW

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a product that is unreasonably dangerous and causes personal injury, property damage and damage to the product itself. Companies that manufacture, distribute or sell a product in a particular state would fall under the jurisdiction of such state's product liability laws, regardless of such company's jurisdiction of incorporation or principal place of business. Depending on the state in which the claim is made, defenses to strict products liability claims by include misuse of the product, assumption of the risk, contributory negligence and comparative fault.

Negligence actions, on the other hand, require a finding by the judge that a duty of care existed on the part of the manufacturer or seller to the plaintiff. In this regard, the judge will determine whether the product is of the type that could endanger others if negligently made or marketed. The duty to exercise reasonable care is required of the manufacturer or seller throughout the production cycle from designing, packaging to providing adequate warnings and instructions for its safe use. Assuming that the judge rules that a duty is found to exist, a plaintiff must show the following elements to claim for negligence, including (i) the defendant owed the plaintiff a duty of care; (ii) the defendant breached that duty by furnishing a defective product; and (iii) the defendant's breach caused the plaintiff's injury.

The breach of warranty cause of action is governed by contract law. The law that governs the sale of goods is Article 2 of the Uniform Commercial Code (the "UCC"), which has been adopted, with some local variation, in every state of the United States. Under the UCC, there are two kinds of warranties: express and implied. An express warranty may arise when a manufacturer represents the product's quality so that the public is induced to buy the product. Express warranties can be created by a representation by the seller, or by showing a sample of a product to the buyer so that the buyer would reasonably assume that subsequent products would be of the same quality as the sample product. An implied warranty, on the other hand, is presumed to exist and implicitly warrants that a product is merchantable and fit for the purpose for which the seller knows the buyer will use the product, unless the buyer clearly and unambiguously disclaims it in writing as part of the sales agreement. Breach of warranty is also a form of strict liability claim in the sense that the plaintiff only needs to establish that the warranty was breached.

### **Laws Related to Product Safety**

Product safety laws are primarily administered by the Consumer Product Safety Commission (the "CPSC"), an independent federal agency created through the Consumer Product Safety Act of 1972 (the "CPSA"). The CPSC is tasked with the objective of promoting the safety of consumer products by (i) developing uniform safety standards; (ii) addressing unreasonable risks of injury; and (iii) conducting research into product-related illness and injury. The CPSC has jurisdiction over tens of thousands of types of consumer products. Generally speaking, unless a product is regulated by another federal agency, a product that is sold to consumers likely falls within the jurisdiction of the CPSC. To accomplish its objectives, the CPSC issues and enforces mandatory and voluntary safety guidelines through various federal laws, including (i) the CPSA; (ii) the Consumer Product Safety Improvement Act of 2008 (the "CPSIA"); (iii) the Federal Hazardous Substances Act (the "FHSA"); and (iv) the

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Flammable Fabrics Act (the “FFA”), among other statutes. The CPSC is also responsible for sending warning letters and issuing recalls when products are found to be unsafe or non-compliant with applicable standards.

Passed in 2008, the CPSIA was designed to enhance federal and state efforts to improve the safety of all products imported into or distributed within the United States. Products imported into the United States which fail to comply with CPSIA’s requirements are subject to confiscation and the importer and/or distributor in the United States is subject to civil penalties and fines, as well as possible criminal prosecution. While the CPSC works closely with United States custom agents, its jurisdiction does not extend beyond the territorial limits of the United States.

Consumer products marketed and sold in the United States must meet several product safety, labelling, and testing requirements. These requirements are generally spread out over various statutes, regulations and rules enforced by the CPSC. Under the CPSIA, a “general conformity certification” (“GCC”) is required for any consumer product imported into the United States that is subject to a consumer product safety rule under the CPSA or is subject to any other rule, standard, regulation, or ban issued by the CPSC pursuant to the CPSA or any other statute. A GCC must accompany all shipments of general use products into or within the U.S., and therefore applies to all manufacturers and importers of goods. Those parties must certify that their products comply with all applicable consumer product safety rules and similar rules, bans, standards, and regulations under any law administered by the CPSC. Such laws include the CPSA, the FFA and the FHSA. In particular, the FFA gives the CPSC the authority to protect consumers from the dangers associated with flammable apparel and furnishings. Under the FFA, flammability standards and testing protocols have been set for clothing, among other items. Fabrics used in making articles of clothing, including costumes and other wearing apparel but excluding hats, gloves, shoes and linings, are categorised into three classes of flammability. On the other hand, the FHSA regulates the safety warnings for “hazardous substances” (as defined in the FHSA) which are required to bear (i) cautionary labelling to warn the consumer of the hazard(s) associated with the use of the product so as to enable the consumer to safely use and store the product; (ii) first aid instructions where applicable; and (iii) the statement, “Keep out of reach of children” if appropriate.

Where a product or component of a product is (i) defective and could cause a substantial risk of injury to consumers; (ii) creates an unreasonable risk of serious injury or death; (iii) fails to comply with any applicable product safety rule or with any other rule, regulation or standard or ban enforced by the CPSC, or (iv) is a material aspect of certain types of lawsuits as outlined in certain provisions of the CPSA, manufacturers and suppliers are obligated to report such product issues to the CPSC. Others, including consumers, can also report defective products to the CPSC. After reporting, the CPSC works with businesses to establish a course of action to assess the potential product issue and determine whether a recall or other remediation is necessary. Failing to comply with CPSC regulations can result in fines and criminal penalties in extreme circumstances.

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As discussed above, the CPSA has authorised CPSC to obligate manufacturers and retailers (and parties in the supply chain) to remedy product defects by enacting recalls for certain dangerous consumer products that fall within the CPSC’s jurisdiction. Although we are currently not subject to any legal actions, proceedings and claims in the United States that relate to product liability, or to any safety recall campaigns in the United States; in the future we could become subject to such actions, proceedings, claims and campaigns (“**Product Liability Matters**”). Such Product Liability Matters could involve personal injury and property damage and could involve claims for substantial monetary damages.

Based on our experience, we do not anticipate that the outcome of any future litigation and claims involving us will have a material effect on our consolidated financial position or liquidity.

### OUR HISTORY AND DEVELOPMENT

#### Overview

**“Lever Shirt” – our early days.** Our origin traces back to 1956, when Mr. Richard Szeto (grandfather of Mr. Szeto, our Chairman) founded the “Lever Shirt” shirt-making business during the golden age of the Hong Kong manufacturing industry at the time. Since then, we have witnessed and partaken in the transformation of the apparel industry over the past 60 years. In the 1980s, against the backdrop of China’s economic reforms, we started shifting our manufacturing capacity to Shenzhen, China.

**From “Lever Shirt” to “Lever Style”.** The year of 2000 marked the beginning of a new business direction when Mr. Szeto took over the leadership of our Group. Under his stewardship, we transformed from “Lever Shirt” to “Lever Style” in the 2000s by expanding our apparel category portfolio beyond woven shirts. We combined our technical know-how with industry experiences to establish a premium customer base around the world. In 2007, we accelerated our development with the acquisition of TTL Manufacturing Ltd. (our wholly-owned subsidiary). With its manufacturing functions and relevant technical know-how, we expanded our apparel capability to suit and bottoms and broadened our premium brand clientele.

**Advance with time.** With globalisation and the influences of digitalisation in the apparel industry, we have evolved from a self-operated manufacturing model to a more versatile and streamlined business model since the 2010s. We downsized our then self-operated production facilities and relinquished all equity interests in them in August 2016, marking the completion of our business transformation. Concurrently, we have continued to expand our multi-jurisdiction contract manufacturing network and with it, enhanced our system of material procurement and contract manufacturing management. We commenced our business relationship with contract manufacturers in Vietnam since 2011, Cambodia since 2016 and Indonesia since 2018.

Targeting a more profitable higher-end clientele, we strategically phased out conventional mass market brands and focused on conventional premium brands such as “AllSaints”, “Boden”, “Theory”, “Vince” and “Vineyard Vines” that emphasise quality, as well as digitally native customers including “Everlane” and “Stitch Fix”. In 2018, our digitally-native customers accounted for over 46.3% of our revenue.

**Looking ahead.** Going forward, with our strong technical know-how and versatility in terms of manufacturing location, order volume and production lead time, we are equipped to offer multifaceted versatility to our customers while at the same time capture the underserved market of emerging brands that look for partners who can deliver quality products with short production cycles and small production volume. As an apparel category supply chain solutions provider with a forte in technical design, we also seek to further expand our apparel category portfolio to replicate our business model across various apparel categories with a view to



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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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strengthening our business relationships with our existing customers. For further details, please refer to paragraphs headed “III. Business strategies” under the section headed “Business” and the section headed “Future plans and use of proceeds” of this prospectus.

### Milestones

1956 to 1999	<ul style="list-style-type: none"><li>- “Lever Shirt” shirt-making business was founded in 1956</li><li>- Commenced operation of production facilities in China</li></ul>
2000 to 2009	<ul style="list-style-type: none"><li>- Acquired TTL Manufacturing Limited in 2007 and expanded our apparel category portfolio to include suit and bottoms and its premium clientele</li><li>- Operated three facilities with over 7,000 workers in Shenzhen, China</li><li>- Strategically focused on developing a premium brand customer base</li></ul>
2010 to the present	<ul style="list-style-type: none"><li>- Acquired our first digital native customer</li><li>- Expanded contract manufacturing network to Vietnam in 2011</li><li>- Expanded contract manufacturing network to Cambodia in 2016</li><li>- Completed transformation of its current versatile business model in 2016</li><li>- Awarded “Supplier of the year” by Customer F in 2016</li><li>- Expanded contract manufacturing network to Indonesia in 2018</li></ul>

### OUR CORPORATE HISTORY

Upon completion of the Reorganisation, our Group will comprise our Company, Lever Style Inc., Lever Shirt Holdings, TTL Manufacturing Ltd., Lever Garment, Lever Shirt, Levertex Company, Euford Enterprises, Plazzo Ltd., Lever Apparel, Lever Design (Shenzhen) Co. Limited\* (利華設計院(深圳)有限公司), Topsun Garment and Han Jingyi Clothes (Shenzhen) Limited\* (漢精益服裝(深圳)有限公司).

The following is a brief corporate history of the establishment and major changes in the shareholdings of our Company and our subsidiaries which have had material contribution to our Group during the Track Record Period.

Please refer to the section headed “Relationship with our Controlling Shareholders” of this prospectus for information in relation to disposal of previous manufacturing facilities of our Controlling Shareholders.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 27 February 2019, with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each. On the same day, one Share was allotted and issued to a representative of Conyers Trust Company (Cayman) Limited, and transferred to Mr. Lee, following which 6,368 Shares, 2,188 Shares, 500 Shares, 443 Shares, 299 Shares, 135 Shares and 66 Shares, were allotted and issued to Lever Style Holdings (a Controlling Shareholder), Fung Trinity Holdings Limited (a passive strategic investor and the Selling Shareholder) held by Fung Group, Dr. Chan (our executive Director), Mr. Yuen Kam Sun (a previous managerial personnel of our Group), Mr. Lee (our executive Director and company secretary), Ms. Haruko Enomoto (a previous managerial personnel of our Group) and Mr. Andersen Dee Allen (a director at Lever Style Inc., a wholly-owned subsidiary of our Company upon completion of the Reorganisation) respectively for cash at par value.

According to our executive Director, Mr. Szeto, he came to acquaint Dr. Victor Fung Kwok King (the chairman of Fung Group) (“**Dr. Fung**”) when Dr. Fung was the chairman of Prudential Corporation Asia. The relationship between our Group and Fung Trinity Holdings Limited was formalised in June 2007 when 2,500 shares in Lever Style Inc. (a member of our Group) were allotted to LiFung Trinity Holdings Limited (later re-named to Fung Trinity Holdings Limited) in consideration for the acquisition of the entire issued share capital of TTL Manufacturing by Lever Style Inc. from LiFung Trinity Holdings Limited. The interests of Fung Trinity Holdings Limited in our Company is thus a legacy arrangement from the consideration for this transaction. Since then, it has also been the commercial understanding of both parties that Fung Trinity Holdings Limited would remain as a passive strategic investor for the purpose of long term investment and economic benefits in our Group and would only provide high level strategic advice from time to time with no executive functions. The day-to-day management and/or business operation of our Group would be handled by Mr. Szeto and his management team. We understand that Fung Trinity Holdings Limited’s strategy with its interests in our Company has been consistent with its investment philosophy.

From June 2007 up to the Latest Practicable Date, Fung Trinity Holdings Limited has not been actively participating in the day-to-day management and/or business operations of our Group. No Director has been nominated by Fung Trinity Holdings Limited to our Board at the Company level. Our Directors have been informed by Fung Trinity Holdings Limited that its intention to remain as a passive strategic investor of our Group after Listing and continue to realise their economic benefits through its voting rights in our Shares remains unchanged. Trinity Limited, the shares of which are listed on the Stock Exchange (Stock Code: 891), together with its subsidiaries, has been purchasing raw materials and garments from us, which have been on normal commercial terms in the opinion of our Directors. For the three years ended 31 December 2018 and the four months ended 30 April 2019, the transactions between Trinity Limited and our Group amounted to approximately US\$1.3 million, US\$4.3 million, US\$5.4 million and US\$0.1 million respectively. Trinity Limited was previously a connected person of our Group under the Listing Rules when the Fung Family (Dr. William Fung Kwok

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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Lun and a trust established for the benefit of the family members of Dr. Fung) held a controlling stake. As at the Latest Practicable Date, the Fung Family had a 18.89% interest in Trinity Limited, which had ceased to be a connected person of our Group. Other than these transactions with Trinity Limited and Fung Trinity Holdings Limited's shareholding interests in Lever Style Inc. (prior to the Reorganisation) and our Company (after the Reorganisation), there has been no other relationship (business, employment, financing, family or otherwise), past or present, between our Company and Fung Trinity Holdings Limited, their respective subsidiaries, shareholders, directors, senior management or any of their respective associates.

Fung Trinity Holdings Limited is wholly-owned by Fung Capital Asia Fund (I) Limited, the entire voting rights of Fung Capital Asia Fund (I) Limited is owned by Fung Capital Limited, Fung Capital Limited is wholly-owned by Fung Investments Limited which is wholly-owned by King Lun Holdings Limited which is legally owned as to 50.0% and 50.0% by Dr. William Fung Kwok Lun and HSBC Trustee (CI) Limited, being the trustee of a family trust established for the family of Dr. Fung. For further details, please refer to the section headed "Substantial Shareholders" of this prospectus.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 29 March 2019. As at the Latest Practicable Date, our Company was directly owned by Lever Style Holdings, Fung Trinity Holdings Limited, Dr. Chan, Mr. Yuen Kam Sun, Mr. Lee, Ms. Haruko Enomoto, Mr. Andersen Dee Allen as to 63.68%, 21.88%, 5.0%, 4.43%, 3.0%, 1.35% and 0.66% respectively.

Our Company became the ultimate holding company of our Group as a result of the Reorganisation, details of which are set in the paragraph headed "Our corporate history" under this section below.

### **Lever Style Inc.**

Lever Style Inc. was incorporated in the BVI as a limited liability company on 28 March 2007, and it is authorised to issue up to a maximum of 50,000 ordinary shares with a par value of US\$1.0 each. The principal business activities of Lever Style Inc. are in investment holding.

Following a series of transfers and allotments and issuances of its shares since the date of its incorporation, including the transfer of 2,500 shares and 15,000,000 preference shares from LiFung Trinity Holdings Limited to Lever Style Holdings on 13 July 2015 and subsequent transfer of 2,500 shares from Lever Style Holdings to Fung Trinity Holdings Limited on 29 December 2017. Lever Style Inc. became held as to 7,278 shares by Lever Style Holdings on 29 December 2017, 2,500 shares by Fung Trinity Holdings Limited on 29 December 2017, 75 shares by Mr. Andersen Dee Allen on 22 July 2013, 507 shares by Mr. Yuen Kam Sun on 22 August 2013, 154 shares by Ms. Haruko Enomoto on 1 September 2014, 571 shares by Dr. Chan on 8 January 2017 and 343 shares by Mr. Lee on 8 January 2017. The shares were issued to Mr. Andersen Dee Allen, Mr. Yuen Kam Sun, Ms. Haruko Enomoto at par value of US\$1.0 each, Dr. Chan and Mr. Lee at consideration of US\$320,331 and US\$192,423 respectively pursuant to their respective share bonuses under their employment contracts with the Group.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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Following the Reorganisation, Lever Style Inc. will become a direct wholly-owned subsidiary of our Company.

### **Lever Garment**

Lever Garment was incorporated in Hong Kong as a limited liability company on 4 April 2001. The principal business activities of Lever Garment are in investment holding without any active business operation. At the time of its incorporation, one share was allotted and issued to each of Realty Dragon and Onglory Company (both being Independent Third Parties) for a subscription price of HK\$2.0 at par value.

Following a series of transfers since the date of its incorporation and the acquisition of the entire interests in Lever Garment from Mr. Szeto by Lever Shirt Holdings on 13 April 2007, Lever Garment became a wholly-owned subsidiary of Lever Shirt Holdings. As at the Latest Practicable Date, Lever Garment remained a wholly-owned subsidiary of Lever Shirt Holdings.

Lever Garment was incorporated under the name of Profitown Limited (利鎮有限公司). On 19 June 2002, its name was changed to Lever Garment Limited (利華成衣(集團)有限公司).

Following the Reorganisation, Lever Garment became an indirect wholly-owned subsidiary of our Company through Lever Style Inc and Lever Shirt Holdings.

### **Lever Shirt**

Lever Shirt was incorporated in Hong Kong as a limited liability company on 18 May 1956. The principal business activities of Lever Shirt are in trading of garment. At the time of its incorporation, one share was allotted and issued to each of Mr. Richard Wai Szeto (grandfather of Mr. Szeto) and Ms. Gerritje Anna Hidma (an Independent Third Party) for a subscription price of HK\$20.0 at par value.

Following a series of allotments and transfers since the date of its incorporation and the acquisition of the entire interests in Lever Shirt from Mr. Szeto by Lever Shirt Holdings on 13 April 2007, Lever Shirt became a wholly-owned subsidiary of Lever Shirt Holdings. As at the Latest Practicable Date, Lever Shirt remained as a wholly-owned subsidiary of Lever Shirt Holdings.

Lever Shirt was incorporated under the name of Lever Shirt, Garment, Weaving, Bleaching and Dyeing Factory Limited. On 25 March 2002, its name was changed to Lever Shirt Limited 利華(恤衫)有限公司. On 26 June 2002, its name was further changed to Lever Shirt Limited 利華成衣有限公司.

Following the Reorganisation, Lever Shirt will become an indirect wholly-owned subsidiary of our Company through Lever Style Inc.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### **Euford Enterprises Company Limited**

Euford Enterprises was incorporated in Hong Kong as a limited liability company on 9 June 1987. Euford Enterprises is inactive. At the time of its incorporation, one share was allotted and issued to each of Mr. Bernard Szeto (father of Mr. Szeto) and Mr. Philip Fan Yan Hok (an Independent Third Party) for a subscription price of HK\$2.0 at par value.

Following a series of allotments and transfers since the date of its incorporation and the acquisition of the entire interests in Euford Enterprises from Mr. Fong Kit Jack (an Independent Third Party) by Lever Shirt Holdings on 13 April 2007, Euford Enterprises became a wholly-owned subsidiary of Lever Shirt Holdings. As at the Latest Practicable Date, Euford Enterprises remained a wholly-owned subsidiary of Lever Shirt Holdings.

Following the Reorganisation, Euford Enterprises will become an indirect wholly-owned subsidiary of our Company through Lever Style Inc.

### **Plazzo Ltd.**

Plazzo Ltd. was incorporated in Hong Kong as a limited liability company on 17 March 1987. Plazzo Ltd. is inactive. At the time of its incorporation, one share was allotted and issued to each of Cobryne Limited and Berycon Limited (both being Independent Third Parties) for a subscription price of HK\$2.0 at par value.

Following a series of allotments and transfers since the date of its incorporation and the acquisition of the entire interest in Plazzo Ltd. from Cobryne Limited by Euford Enterprises on 13 April 2007, Plazzo Ltd. became a wholly-owned subsidiary of Euford Enterprises. As at the Latest Practicable Date, Plazzo Ltd. remained a wholly-owned subsidiary of Euford Enterprises.

Plazzo Ltd. was incorporated under the name of Plazzo Limited. On 8 January 1999, its company name was changed to Plazzo Limited 標星製衣有限公司.

Following the Reorganisation, Plazzo Ltd. will become an indirect wholly-owned subsidiary of our Company through Lever Style Inc.

### **Lever Apparel Limited**

Lever Apparel was incorporated in Hong Kong as a limited liability company on 27 May 1969. The principal business activities of Lever Apparel are in trading of garment. At the time of its incorporation, one share was allotted and issued to each of Mr. Cyril Leslie Coldham Blott (an Independent Third Party) and Mr. Clement Alfred Adam (an Independent Third Party) for a subscription price of HK\$200.0 at par value.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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Following a series of allotments and transfers since the date of its incorporation and the acquisition of the entire interests in Lever Apparel from LiFung Trinity Limited by TTL Manufacturing Ltd. on 13 April 2007, Lever Apparel became a wholly-owned subsidiary of TTL Manufacturing Ltd. As at the Latest Practicable Date, Lever Apparel remained a wholly-owned subsidiary of TTL Manufacturing Ltd..

Lever Apparel was incorporated under the name of Trinity Textiles Limited. On 28 May 1996, our company name was changed to Trinity Textiles Limited 萬邦製衣廠有限公司. On 18 December 2009, its name was changed to Lever Apparel Limited 利華服裝有限公司.

To streamline our Group's organisational structure and to focus on our business model, namely, (i) cultivating our technical know-how; (ii) maintaining versatility; and (iii) providing holistic services, Lever Apparel disposed of its equity interest in Jadestar Investments Limited together with its wholly-owned subsidiary Glad Garments to an Independent Third Party on 29 April 2016. Our Controlling Shareholders also disposed of their other manufacturing related entities pursuant to the same agreement. The disposal was completed in August 2016. For further details and reasons for the disposal of Glad Garments, please refer to the paragraph headed "Relationship with the Glad Garments Group" under the section headed "Business" of this prospectus.

Following the Reorganisation, Lever Apparel will become an indirect wholly-owned subsidiary of our Company through Lever Style Inc and TTL Manufacturing Ltd.

### **Topsun Garment Limited**

Topsun Garment was incorporated in Hong Kong as a limited liability company on 26 February 1975. The principal business activities of Topsun Garment are in investment holding. At the time of its incorporation, one share was allotted and issued to each of Far View Nominees Ltd. and Cleland Nominees Ltd. (both being Independent Third Parties) for a subscription price of HK\$20.0 at par value.

Following a series of allotments and transfers since the date of its incorporation and the acquisition of the entire interest in Topsun Garment from Talsec Limited (an Independent Third Party) by Lever Apparel on 18 May 2006, Topsun Garment became the wholly-owned subsidiary of Lever Apparel. As at the Latest Practicable Date, Topsun Garment remained the wholly-owned subsidiary of Lever Apparel.

Topsun Garment was incorporated under the name of Melbo (Hong Kong Limited). On 5 June 2002, its name was changed to Topsun Garment Limited (聯邦製衣有限公司).

Following the Reorganisation, Topsun Garment will become an indirect wholly-owned subsidiary of our Company through Lever Style Inc.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### **Lever Design (Shenzhen) Co. Limited\* (利華設計院(深圳)有限公司)**

Lever Design (Shenzhen) Co. Limited\* was established in the PRC as a limited liability company, wholly-owned by Lever Apparel, on 25 January 2016. Its principal business activities are design and trading of garments.

Throughout the Track Record Period, Lever Design (Shenzhen) Co. Limited\* has remained a wholly-owned subsidiary of Lever Apparel.

Following the Reorganisation, Lever Design (Shenzhen) Co. Limited\* will become an indirect wholly-owned subsidiary of our Company through Lever Style Inc.

### **Han Jingyi Clothes (Shenzhen) Limited\* (漢精益服裝(深圳)有限公司)**

Han Jingyi Clothes (Shenzhen) Limited\* was established in the PRC as a limited liability company, wholly-owned by Topsun Garment, on 28 October 2013. Its principal business activities are trading of garments.

Throughout the Track Record Period, Han Jingyi Clothes (Shenzhen) Limited\* was a wholly-owned subsidiary of Topsun Garment.

Following the Reorganisation, Han Jingyi Clothes (Shenzhen) Limited\* will remain an indirect wholly-owned subsidiary of our Company through Lever Style Inc.

### **No Pre-IPO Investment**

There is no pre-IPO investment involved in the Reorganisation within the meanings of GL43-12 and GL44-12 of the Stock Exchange.

## **REORGANISATION**

In preparation for the Listing, our Group has undergone the Reorganisation and the steps are as follows:

### **1. Incorporation of our Company**

On 27 February 2019, our Company was incorporated in the Cayman Islands as a limited liability company with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each. Upon incorporation, one Share was allotted and issued to a representative of Conyers Trust Company (Cayman) Limited, and transferred to Mr. Lee, following which 6,368 Shares, 2,188 Shares, 500 Shares, 443 Shares, 299 Shares, 135 Shares and 66 Shares were allotted and issued to Lever Style Holdings, Fung Trinity Holdings Limited, Dr. Chan, Mr. Yuen Kam Sun, Mr. Lee, Ms. Haruko Enomoto and Mr. Andersen Dee Allen respectively for cash at par.



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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### 2. Transfer of Lever Style Inc. to our Company

On 8 April 2019, pursuant to the Sale and Purchase Agreement and as part of the Reorganisation, all the issued share capital of and Lever Style Inc. held by Lever Style Holdings, Fung Trinity Holdings Limited, Dr. Chan, Mr. Yuen Kam Sun, Mr. Lee, Ms. Haruko Enomoto and Mr. Andersen Dee Allen were transferred to our Company in consideration of our Company issuing and allotting 6,368 Shares, 2,188 Shares, 500 Shares, 443 Shares, 300 Shares, 135 Shares and 66 Shares to Lever Style Holdings, Fung Trinity Holdings Limited, Dr. Chan, Mr. Yuen Kam Sun, Mr. Lee, Ms. Haruko Enomoto and Mr. Andersen Dee Allen respectively, all credited as fully paid.

The Reorganisation completed on 8 April 2019 and all of the above transfers were properly and legally completed and settled. As advised by Conyers Dill & Pearman, Withers and ETR Law Firm, the legal advisers to our Company as to Cayman Islands law, Hong Kong law and PRC law respectively, no approval or consent is required to be obtained from any governmental or regulatory authority in the Cayman Islands, Hong Kong and the PRC in connection with the Reorganisation.

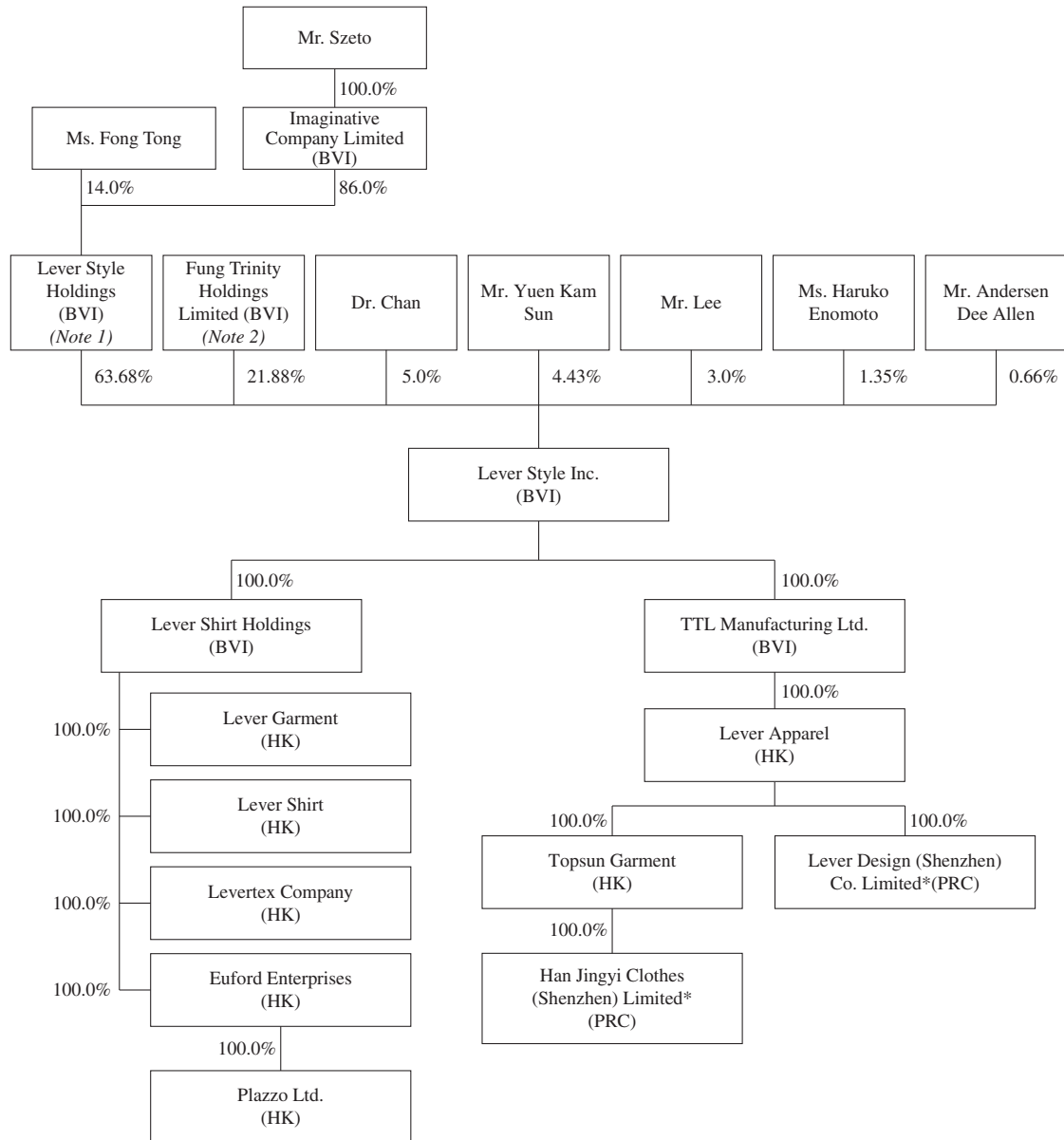
### CAPITALISATION ISSUE

Conditional upon the share premium account of our Company being credited as a result of the issue of new Shares pursuant to the Global Offering, an amount of HK\$4,799,800 standing up to the credit of our Company's share premium account will be applied in paying up in full at par for allotment and issue to Lever Style Holdings, Fung Trinity Holdings Limited, Dr. Chan, Mr. Yuen Kam Sun, Mr. Lee, Ms. Haruko Enomoto and Mr. Andersen Dee Allen.

As part of the Global Offering, the Selling Shareholder (being Fung Trinity Holdings Limited, a passive strategic investor) will offer 12,800,000 Sale Shares for purchase pursuant to the Global Offering. For further details, please refer to the section headed "Structure and conditions of the Global Offering" of this prospectus. The expenses to be incurred by the Selling Shareholder shall be borne by the Selling Shareholder and any proceeds arising out therefrom will not be received by our Company.

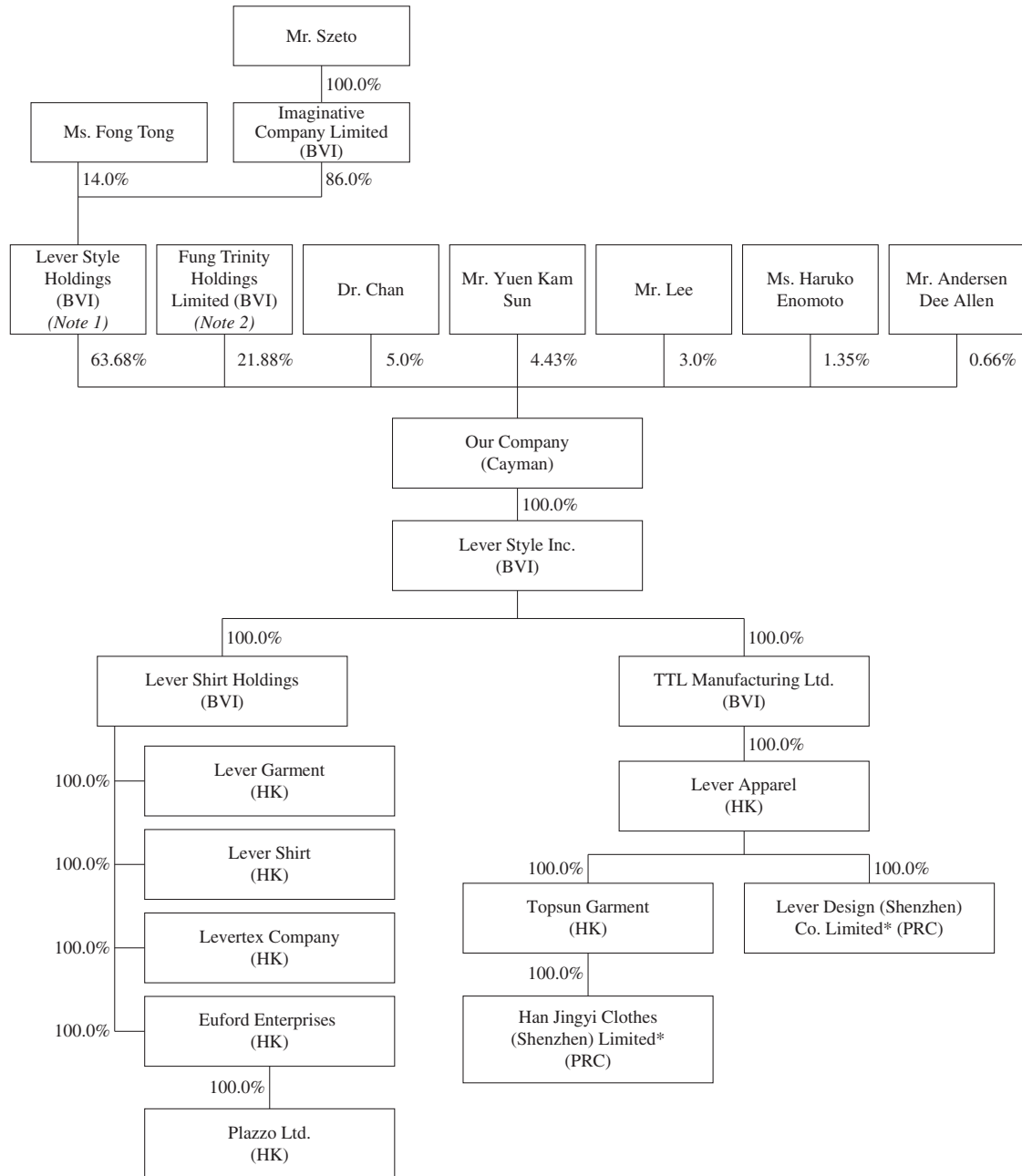
## HISTORY, REORGANISATION AND GROUP STRUCTURE

The following chart shows our Group's corporate structure and shareholding structure immediately before the commencement of the Reorganisation:



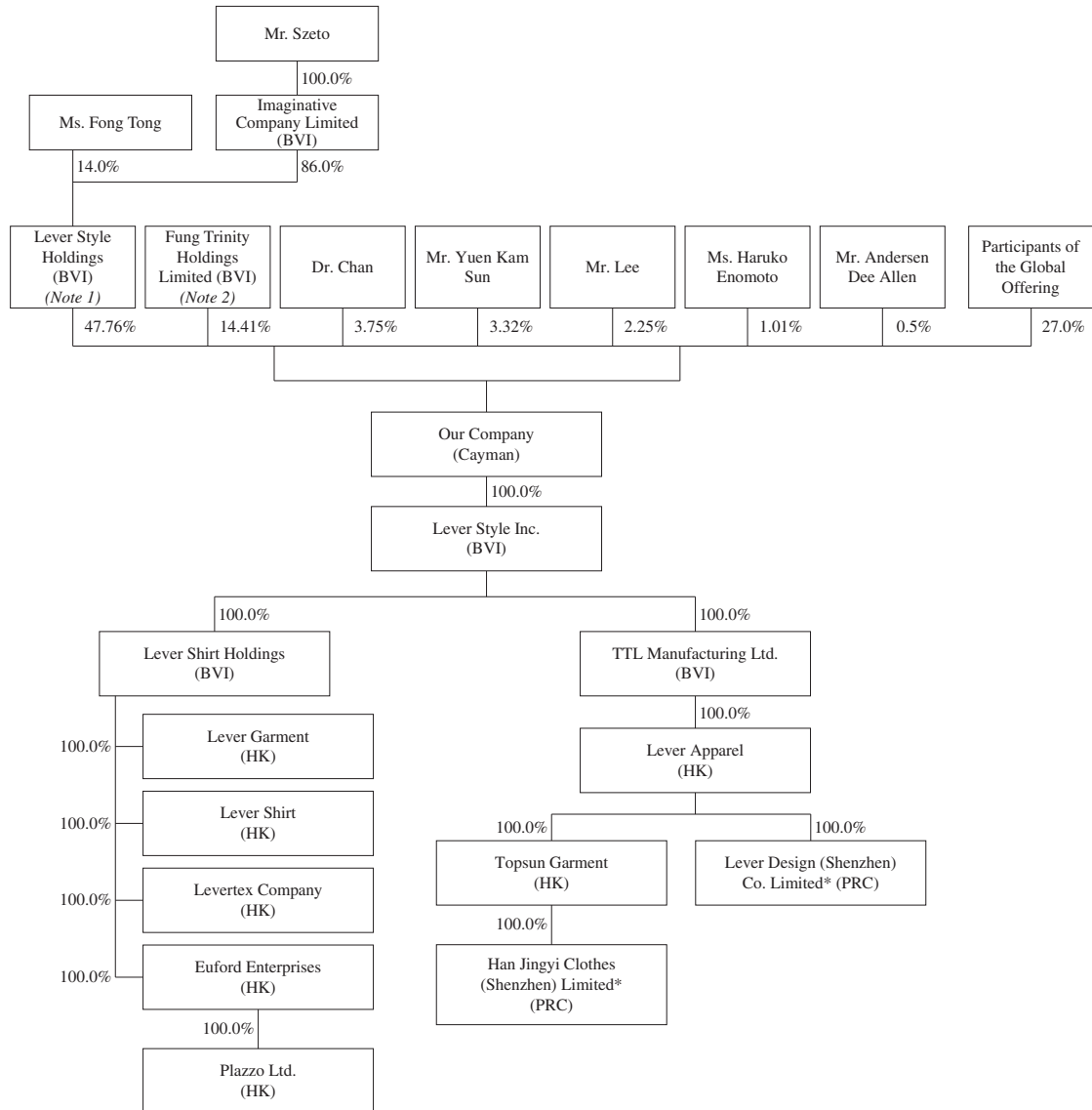
## HISTORY, REORGANISATION AND GROUP STRUCTURE

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



## HISTORY, REORGANISATION AND GROUP STRUCTURE

The following chart sets out our corporate and shareholding structure following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme):



*Notes:*

1. Lever Style Holdings is beneficially owned as to 14.0% and 86.0% by Ms. Fong Tong (mother of Mr. Szeto, our executive Director) and Imaginative Company Limited. Imaginative Company Limited is wholly-owned by Mr. Szeto.
2. Fung Trinity Holdings Limited is wholly-owned by Fung Capital Asia Fund (I) Limited, the entire voting rights of Fung Capital Asia Fund (I) Limited is owned by Fung Capital Limited, Fung Capital Limited is wholly-owned by Fung Investments Limited which is wholly-owned by King Lun Holdings Limited which is legally owned as to 50.0% and 50.0% by Dr. William Fung Kwok Lun and HSBC Trustee (CI) Limited, being the trustee of a family trust established for the family of Dr. Victor Fung Kwok King.

## **I. OVERVIEW**

We provide supply chain solutions in multiple apparel categories for notable brands across the U.S., Europe and APAC with a forte on technical design – in essence developing the blueprint of each garment for bulk production. Our end-to-end supply chain solutions encompass fashion design, prototype development, technical package (a blueprint consisting of production instructions and specifications to facilitate contract manufacturers to realise design visions) development, fabric and ancillary raw material procurement, production oversight, quality control, as well as delivery and distribution logistics subject to our customers’ needs. In particular, technical design (blueprint development of each garment for production), our strong suit, has imparted us with the ability to serve as a value-adding platform interlinking brands, our multi-jurisdiction contract manufacturers of 45 in China, 8 in Vietnam and 7 in other parts of APAC as at the Latest Practicable Date and the apparel supply chain. Meanwhile, our multiple-product capability has enabled us to operate under the precept “we make what our customers sell”, realising our customers’ design visions by delivering products that embody each of our customers’ unique brand positions. During the Track Record Period, operating primarily out of Hong Kong and Shenzhen, we count widely recognised premium brands such as “AllSaints”, “Boden”, “Theory”, “Vince” and “Vineyard Vines”, digitally native brands in the likes of “Everlane” as well as private labels of digital platforms such as “Stitch Fix” amongst our clientele. The contribution from digitally native customers to our revenue rose from approximately 22.1% in 2016 to approximately 46.3% in 2018.

As the global apparel industry evolves with accelerated changes in consumer preferences and online apparel retail posting significant growth, there is increasing demand for shorter production cycles and smaller production runs. Against such backdrop, we have honed our business model over the years to focus on:

- (i) **technical know-how** – technical design, our strong suit, is an important apparel design process between fashion design and production, putting designers’ visions into detailed patterns, prototypes, measurements, trims and other technical instructions that are ready to be used by our contract manufacturers for bulk production. Our Group, with a knowledge base of technical know-how cumulated through decades of collaborations with premium brands and over one-third of our staff being technically oriented, focuses on being the “engineer of fashion,” acting as the bridge between design and production by contributing our technical expertise in production and material development;
- (ii) **versatility** – in terms of (a) manufacturing location from having developed a multi-jurisdiction network of contract manufacturers that hedges against tariffs, international trade disputes and rising labour costs; (b) order volume ranging from one to 200,000 pieces per batch by closely managing a network of contract manufacturers of diverse scales and production set-ups; and (c) speed-to-market with a production lead time of as short as a few days from continuously fine-tuning production processes and investing in technologies such as virtual sampling; and

- (iii) **holistic services** – backed by an in-house technical product development team coupled with a strong network of contract manufacturers of 60 and approved raw material suppliers of over 340, we offer an efficient and convenient all-inclusive platform for our customers to realise their brand visions across multiple apparel categories from shirts to bottoms, suit, outerwear, athleisure, cut-and-sewn knit, soft wovens and denim. Such diversity in product portfolio and being a preferred partner of choice for our customers regardless of seasonality also enable us to be less susceptible to fashion cycles in respect of brands and/or type of apparel items.

Over the years, we have transformed from a traditional, self-operated manufacturing model, thereby solving the conventional challenge – being beholden to steep overheads and underutilised capacity during low seasons. We offer multiple apparel categories comprising shirts, bottoms, suit, outerwear, athleisure, cut-and-sewn knit, soft wovens and denim. Of these, shirts, bottoms and suit were our top revenue contributors, in aggregate accounting for over 85.0% of our revenue for each of three years ended 31 December 2018 and four months ended 30 April 2019.

Going forward, as consumers gravitate towards online shopping and highly-customised apparel products, emerging brands with niche customer foci, aided by hyper-targeted advertising offered by algorithmic marketing, are expected to proliferate, our Directors expect a growing demand for apparel supply chain solutions providers that can liaise with suppliers to manufacture and deliver products in small batches with high speed-to-market.

## **II. COMPETITIVE STRENGTHS**

### **Multifaceted versatility in terms of manufacturing location, order volume and production lead time catering to individualised/distinctive production needs of our customers**

One of our key strengths that distinguishes us from our competitors is our adaptability to accommodate each of our customers' supply chain needs in terms of:

- (i) production base – a virtue especially for brands with multi-jurisdiction operations as, with our contract manufacturing network spanning China, Vietnam, Indonesia and Cambodia, we are able to support their expansion efforts and growth strategies in various regions whilst making use of lower import tariffs, international trading policy benefits and lower manufacturing costs. Therefore, our Group is exposed to lower geopolitical risk and is highly adaptive in terms of geographic relocation;
- (ii) order quantity – backed by our established business relationships with third party contract manufacturers as further elaborated below, we are able to accept orders ranging from a single made-to-measure piece to a purchase order of over 200,000 pieces for brands with large distribution. This allows our Group to support emerging

brands – satisfying their small order volumes at their initial stage of development and assigning dedicated account managers to them supported by our technically-oriented employees when these emerging brands begin to scale up their businesses; and

- (iii) production lead time – can be as short as a few days for made-to-measure items to four weeks for bulk production during the Track Record Period, enabling us to meet our customers’ evolving need for higher speed-to-market as they adapt to quick changes in fashion trends and consumer demands.

Frost & Sullivan also identifies our multifaceted versatility as one of our strengths and is of the view that our Group can be benefited from the versatility by (i) having a strong capability to cater to a wider spectrum of customers and thereby mitigate the risk should certain apparel categories become out of style; (ii) serving our customers’ needs better by navigating around changing trade policies, increasing labour costs and shifting geopolitical risks; and (iii) reducing our exposure to the underlying risks of operating in limited jurisdictions.

### **Ability to develop and deliver high value-added product development to accurately realise customers’ design visions**

Leveraging on our 60 plus-year history in garment manufacturing, our Group possesses valuable technical know-how to satisfy stringent aesthetic standards of premium brands. Such advanced product development capability, honed over decades of collaboration with top designer brands, enables us to accurately translate our customers’ concepts into prototype samples and then into bulk production friendly instructions consisting of, as appropriate, patterns, sewing/linking details, points of measurement, wash formula, label/hangtag placement, bill of materials and packaging instructions. During the Track Record Period, we have collaborated with premium brands such as “AllSaints”, “Boden”, “Theory”, “Vince” and “Vineyard Vines”. Our experienced product development team is committed to delivering high-quality products with high aesthetic value and consistent standards.

To this end, we have structured our sales and merchandisers team by customer (rather than by product). Therefore, each of our account managers has a strong understanding of his/her own customer and its business operations. Our sales and merchandisers team also collaborates closely with our in-house technical development centre, whose over 100 employees specialise in (i) pattern making; and (ii) technical package and prototype development. Please refer to the paragraph headed “Product and production development” under this section for further details.

### **Diversified product portfolio with multiple apparel categories**

We offer multiple apparel categories comprising shirts, bottoms, suit, outerwear, athleisure, cut-and-sewn knit, soft wovens and denim. Our growing apparel category portfolio underpins our business sustainability as we do not over-rely on a certain critical product and/or customer. We are also less susceptible to fashion cycles in respect of brands and/or type of apparel items. Moreover, by offering multiple apparel categories, we are able to help our



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customers improve the efficiency of their supply chains as they can capitalise on our thorough understanding of their unique brand positioning and mode of operations by partnering with us on multiple apparel categories. This reliance on us further solidifies the relationship between us and our customers as elaborated below.

### **Established and growing reputation and business relationship with our customers and contract manufacturers**

We have been collaborating with our top five customers for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 during the Track Record Period for an average of almost a decade, equipping us with a deep understanding of our customers and strengthening our ability to develop and deliver products that embody their unique brand positioning. In particular, our aforementioned versatility has granted us the unique ability to serve our customers at various stages of their growth trajectory, be it the catalyst for emerging brands during their initial years or a trusted and reliable supplier as they grow. This has placed us in good stead for future business opportunities and we will continue to proactively maintain and strengthen our business relationships with customers as further elaborated under the paragraph headed “III. Business strategies” of this section below. Our established relationships with our contract manufacturers and material suppliers in the mean time afford us with wide-ranging and reliable access to a seamless supply chain network, fortifying our multifaceted versatility whilst maintaining cost efficiency.

### **III. BUSINESS STRATEGIES**

Building on our competitive strengths, we aim to further strengthen our market position and expand our business to become the partner of choice for brands seeking quality products from a versatile supply chain with the following strategies.

#### **To expand our apparel category portfolio through acquiring businesses possessing strong technical know-how in additional apparel categories**

We plan to deepen our penetration into our existing customers and gain market share by expanding our apparel category portfolio to some higher growth products, the production of which entails sophisticated technical know-how, through acquisition of apparel suppliers equipped with such expertise. Any manufacturing facilities that may come with such acquisitions will be spun off to enhance versatility and profitability with a view to integrating with and complementing our business model to focus on the provision of end-to-end apparel supply chain solutions. Our potential targets are the countless apparel suppliers, and preferably family-owned (which tend to lack successors and are looking to exit, according to our industry observations), in Developing Asia, each possessing strong technical know-how in its respective speciality garnered through years of experience but now lack successors. As at the Latest Practicable Date, while we prefer family-owned apparel suppliers which completely satisfy our selection criteria, we had yet to identify suitable targets and our Directors were open to considering apparel suppliers with sufficient and suitable know-hows and clientele based on commercial rationale whilst taking into account the Shareholders’ interests as a whole. Such

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acquisitions are also expected to create incremental profitability by achieving synergies such as cross-selling and development of hybrid products such as stretch denim, athleisure suit or other products with reference to the latest fashion trend, and expand our foothold in apparel products with higher growth potential as highlighted by Frost & Sullivan.

Our Directors are of the view that acquisition of an established knowledge base and time-honoured track record will be the more efficient means for us to build up our technical know-how and credibility in apparel categories we are less renowned for when compared to cultivating such knowledge and reputation organically via internal development, entailing trial and error and, in turn, wastage in resources and time. To this end, we have set aside approximately 68.3% of our net proceeds for acquisition purposes, please refer to the section headed “Future plans and use of proceeds” of this prospectus for details.

**To enhance customer penetration amongst our existing clientele and strategically enlarge our customer base amongst digitally native brands and platforms and/or premium brands**

In addition to attaining growth from our existing customer base through capitalising on the aforementioned cross-selling opportunities by expanding our apparel category portfolio, we also intend to strategically enlarge our customer base amongst digitally native brands and platforms, which will help our Group generate sustained business growth in light of the fast-developing online retail industry according to Frost & Sullivan, and/or premium brands. We believe that our improving financial performance during the Track Record Period is partly attributable to our ability to identify and work with the right customers. In fact, online retailers had underpinned our overall revenue growth during the Track Record Period, with revenue derived from our digitally native customers recording a CAGR of over 55.3% from 2016 to 2018 and an increase of approximately 28.1% for the four months ended 30 April 2019 as compared to the same period in 2018. When selecting our customers, we consider and evaluate a number of factors, including their brand positioning, growth potential, and in particular, their strategies towards online retailing. In this regard, we plan to strategically focus on brands with high growth potential, namely digitally native brands and platforms as well as conventional premium brands, to which our versatile business model highly complements.

To facilitate such efforts, our Group shall utilise approximately 16.3% of the net proceeds to create an online B2B platform that allows customers to customise their design in real-time and place orders directly through a centralised, built-in online design system. Such platform is expected to improve small batch order placement lead time to less than three weeks in its first phase. With order placement being faster and more convenient, this platform is expected to attract emerging brands, which often place great emphasis on speed-to-market. In addition, emerging brands, with small order volume during their initial years, generally lack access to reputable apparel manufacturing suppliers. With the B2B platform, our Group can reach out to these customers, thereby leading to a broader customer base in the long run. Meanwhile, the Group can better cater to its existing customers by offering an additional channel, i.e. the B2B

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platform for collaboration, especially for digitally native customers who are forward-looking and embrace innovative technologies, and at the end enhancing customer penetration. Please refer to the section headed “Future plans and use of proceeds” of this prospectus for further details.

### **Strengthen and expand our contract manufacturing and material supply network**

Currently, our Group possesses a well-developed multi-jurisdiction manufacturing network throughout the APAC region, such as China, Vietnam, Indonesia and Cambodia. Our multi-country manufacturing base provides our customers with flexibility in terms of order volume, production lead-time, product expertise and price points. To support the aforementioned apparel category expansion and broadening of customer base, our Group intends to further expand our manufacturing network in terms of capacity, capability as well as geographically to developing countries such as India. This can mitigate imminent geopolitical risks and provide a choice of venue in light of rising material, labour and rental costs in China, the largest apparel production base in the world.

## **IV. OUR BUSINESS MODEL**

We are a multi-product apparel supplier primarily catering to notable digitally native brands and platforms and conventional premium brands. Over the years, we have developed a multi-jurisdiction manufacturing production network which lets us offer manufacturing location versatility whilst establishing relationships with and reputation amongst contract manufacturers. With our continuous efforts to fine-tune our current operational process including investment in technologies such as virtual sampling, we have enhanced our ability to cater to a wide spectrum of order volumes and achieve less rigid production lead time. During the Track Record Period, we continued to expand our apparel category portfolio offered to our customers catering to different customers’ needs.

**Source of revenue**

Our revenue by customer type and their respective percentage of our total revenue over the course of the Track Record Period is set out in the table below:

	Year ended 31 December				Four months ended 30 April								
	2016		2017		2018		2019						
	% of total revenue	Gross profit margin %	% of total revenue	Gross profit margin %	% of total revenue	Gross profit margin %	% of total revenue	Gross profit margin %					
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000					
Digitally native	22,256	17.8	35,180	24.5	53,653	26.4	13,910	3,780	27.2	17,820	47.9	5,851	32.8
Conventional													
- Premium	61,052	18.8	54,829	25.4	53,238	26.2	16,139	3,906	24.2	16,732	45.0	4,004	23.9
- Moderate	17,288	17.2	10,786	19.7	8,995	24.3	4,936	1,174	23.8	2,651	7.1	610	23.0
Sub-total	78,340	18.5	65,615	24.5	62,233	25.9	21,075	5,080	24.1	19,383	52.1	4,614	23.8
<b>Total</b>	<b>100,596</b>	<b>18.3</b>	<b>100,795</b>	<b>24.5</b>	<b>115,886</b>	<b>26.1</b>	<b>34,985</b>	<b>8,860</b>	<b>25.3</b>	<b>37,203</b>	<b>100.0</b>	<b>10,465</b>	<b>28.1</b>

As shown in the above table, digitally native customers were the driver of our revenue growth during the Track Record Period and we will continue to pursue this customer group going forward as highlighted in the paragraph headed “III. Business strategies” under this section. Owing to the U.S. being the international hub for digitally native brands and platforms, U.S. based customers were our largest revenue contributor during the Track Record Period, accounting for over 64.4% of our revenue throughout the Track Record Period, details of which are set out in the paragraph headed “VII. Customers” under this section.

Set out below is the source of revenue in terms of apparel categories throughout the Track Record Period:

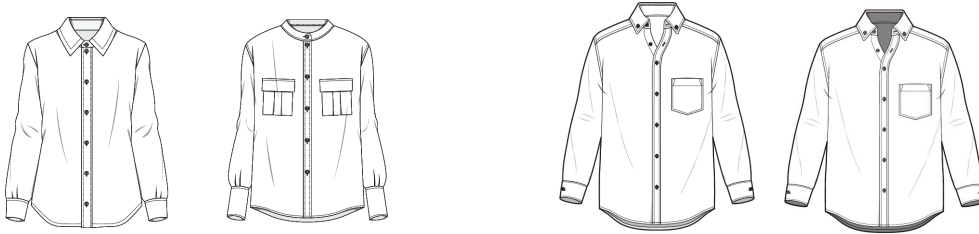
	Year ended 31 December					Four months ended 30 April								
	2016		2017		2018		2018		2019					
	Revenue US\$'000	% of total revenue	Gross profit margin %	Revenue US\$'000	% of total revenue	Gross profit margin %	Revenue US\$'000	% of total revenue	Revenue US\$'000	% of total revenue	Gross profit margin %	Revenue US\$'000	% of total revenue	Gross profit margin %
Shirts	52,343	52.1	20.1	47,405	47.0	27.3	53,012	45.8	16,112	46.1	28.1	18,982	51.0	31.2
Bottoms	22,746	22.6	16.1	28,540	28.3	22.5	27,976	24.1	10,163	29.0	25.1	10,072	27.1	24.7
Suit	17,035	16.9	16.5	15,315	15.2	3,508	20,030	17.3	4,967	14.2	26.5	4,373	11.7	28.6
Outerwear	6,602	6.6	18.5	6,975	7.0	22.4	11,133	9.6	2,535	7.2	23.3	1,879	5.1	21.1
Others	1,870	1.8	10.0	2,560	2.5	26.2	3,735	3.2	1,208	3.5	11.2	1,897	5.1	21.2
<b>Total</b>	<b>100,596</b>	<b>100.0</b>	<b>18.3</b>	<b>100,795</b>	<b>100.0</b>	<b>24.5</b>	<b>115,886</b>	<b>100.0</b>	<b>34,985</b>	<b>100.0</b>	<b>26.1</b>	<b>37,203</b>	<b>100.0</b>	<b>28.1</b>

Whilst our revenue consistently increased during the Track Record Period, as shown in the above table, the proportion of revenue contribution from shirts, bottoms and suit constantly accounted for approximately 85.0% or above, and the proportion of revenue contribution from others increased steadily from approximately 1.8% in 2016 to approximately 5.1% for the four months ended 30 April 2019, demonstrating our efforts in providing multi-apparel categories to our customers.

**Apparel category portfolio**

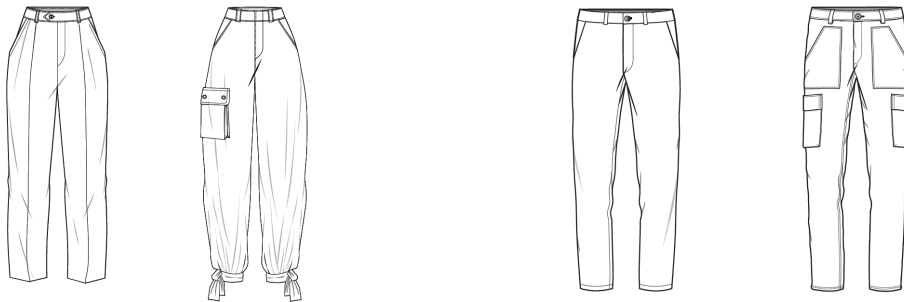
***Shirts***

We have been supplying shirts since our establishment. Our shirt products cover both menswear and womenswear ranging from formal dress shirts to casual wear. Set forth below is the illustration of our shirt products.



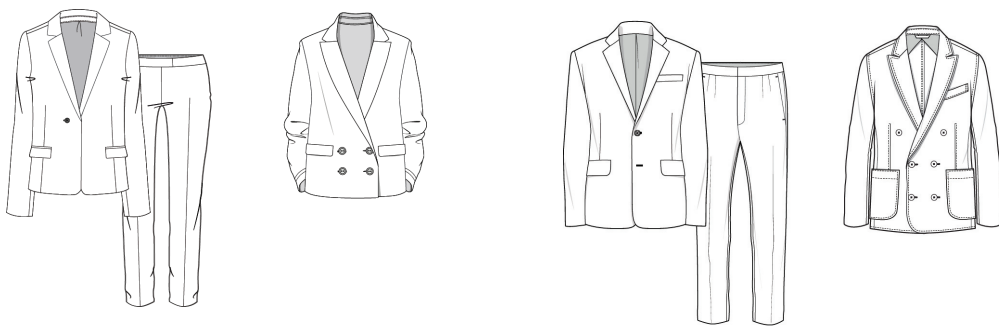
***Bottoms***

Leveraging on our technical know-how from formal trouser manufacturing, we also offer slacks and semi-formal trousers. Examples are as follows.



***Suit***

We first introduced this apparel category through the acquisition of TTL Manufacturing Ltd. in 2007, and we have since supplied tailored jackets and trousers. We set out below a selection of our suit products.



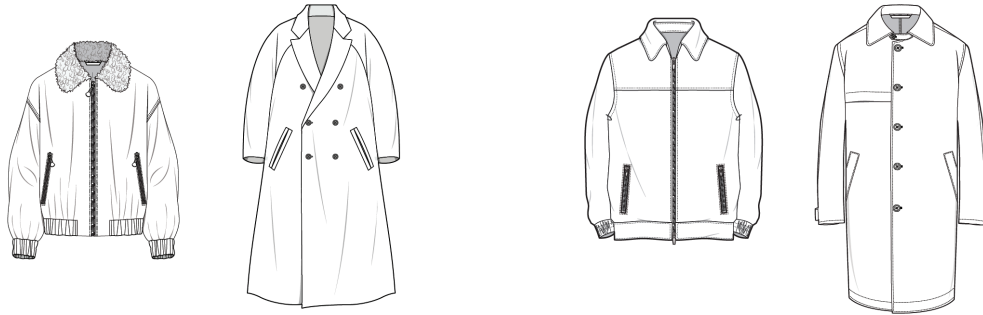
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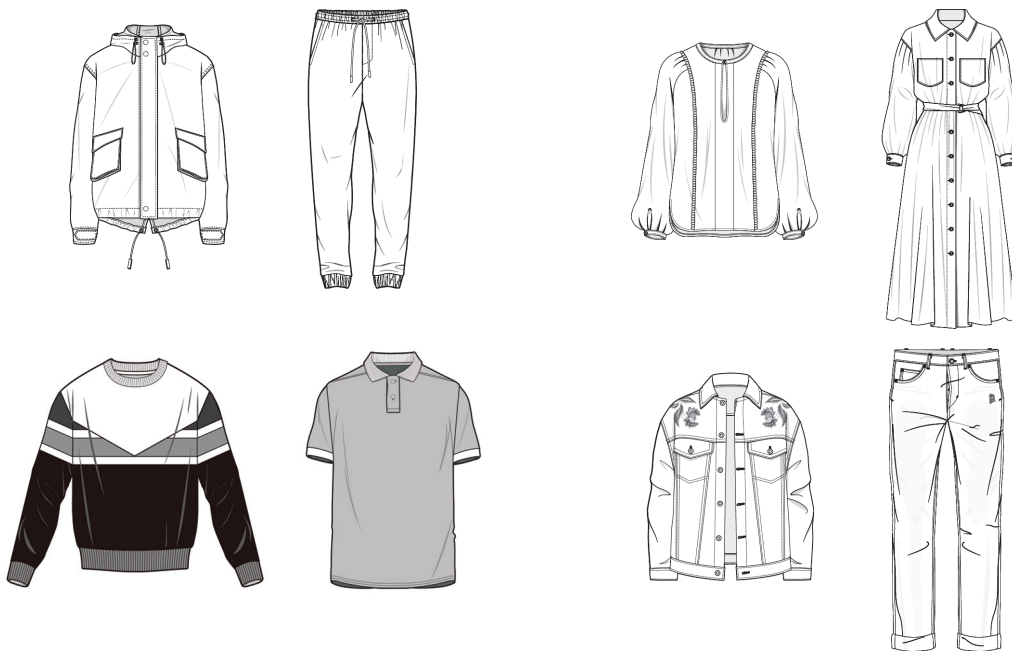
### *Outerwear*

Outerwear, representing clothing worn outdoors and over other clothes, has been one of our growing apparel categories during the Track Record Period. Selected illustrations are set out below.



### *Others*

During the Track Record Period, we have also supplied athleisure, cut-and-sewn knit, soft wovens and denim, illustrations of which are set forth below.





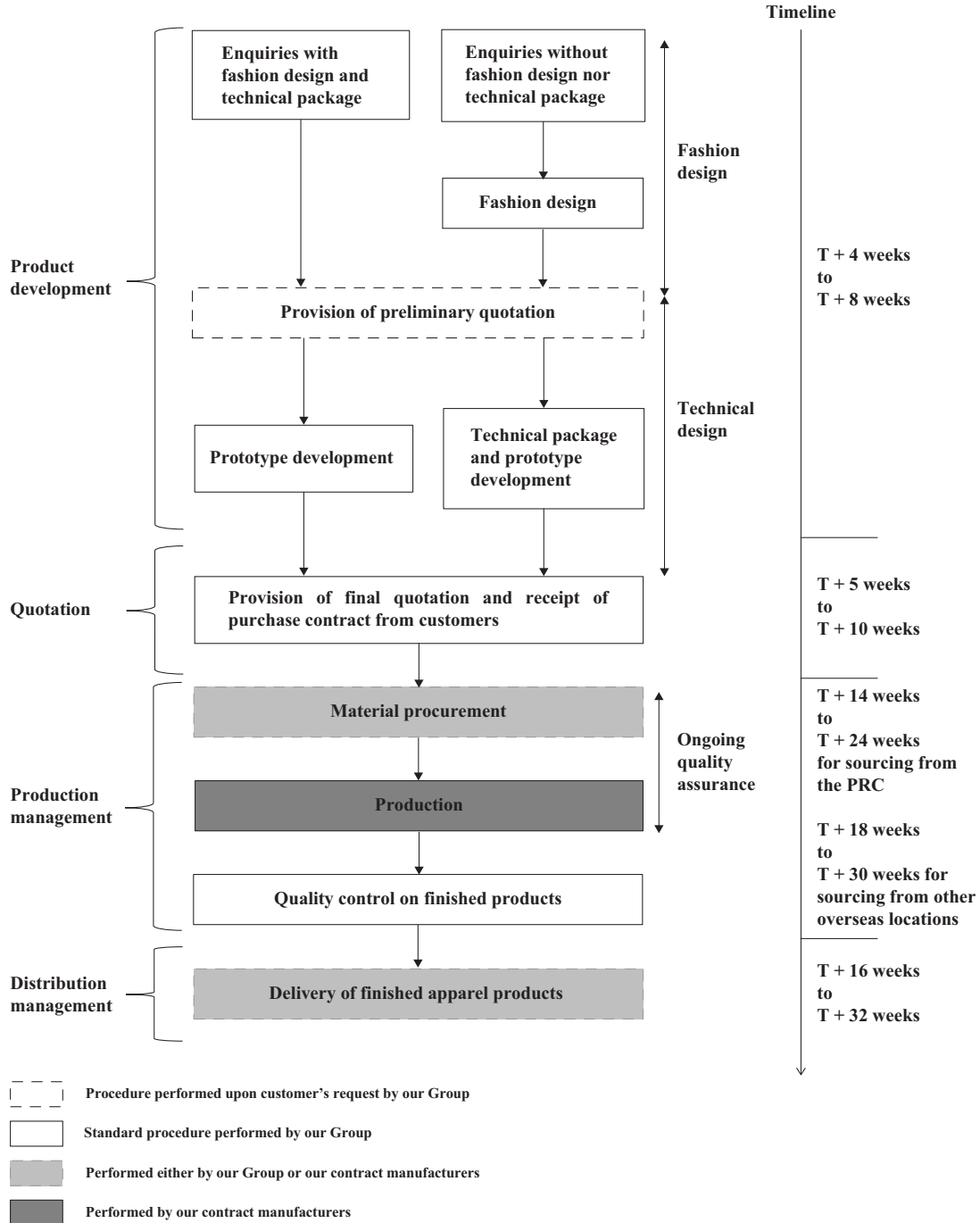
**Product and production development**

With ever-heightening consumers' expectations and a growing appetite for newness in the fashion industry, we strive to keep ourselves abreast of market trends so as to better support our customers to anticipate and respond to swift changes in consumers' needs in a timely manner. Envisioning ourselves as the "engineer of fashion", we offer full-range services encompassing product design, material development and production management for our customers.

In particular, our in-house technical development center, over 100 headcount strong, with extensive experience and knowledge in technical design across shirts, bottoms, suit and outerwear (which were our primary apparel categories during the Track Record Period), creates the blueprint for each apparel item based on the fashion design envisioned by our customers or at times co-created by our in-house fashion design team. This capability puts us in position to assist our customers to achieve the intended design vision, from aesthetics such as fit, shape and silhouette to the selection of materials. We shall continue to keep our technical know-how up-to-date by maintaining close collaboration with premium brands that demand apparel with high aesthetic value and adhere to stringent quality control.

Such technical knowledge also carries through to production. Our legacy in operating manufacturing facilities equips us with the expertise to advise our contract manufacturers to develop more effective production process, by sharing best practices, providing technical instructions to our contract manufacturers, suggesting appropriate machinery and equipment to acquire, and assigning technicians to provide guidance on FQC, details of which are set out in the paragraph headed "VI. Quality control" under this section. In addition, we understand the challenges our contract manufacturers are facing and thus are able to drive initiatives in response to sustainability (details of which are set out in the paragraph headed "XIV. Environmental and social responsibility matters" under this section), as well as fine-tuning the overall operation process to shorten speed-to-market.

**V. OUR OPERATIONS**



The business workflow represents our general business operation process. The production lead time of specific apparel products is dependent on the availability of raw materials, complexity, as well as order quantity.

**Product development**

An order may originate from a customer approaching us with or without a fashion design and technical package. Each customer's designated account manager first communicates with the customer to acquire a thorough understanding of the product specifications and requirements. We will provide aesthetic design to our customers with reference to the latest fashion trend and their style upon request, as well as new fabric design ideas as value-added service, when applicable, or provide feedbacks on their technical package based on our past experience with an aim to facilitating our customers to realise their design visions. We may provide a general quotation to our customer, if requested, for their reference at this preliminary stage. Based on the requirements from our customer, our account managers then liaise with our technical team, product development team (for fashion design) and fabric team (for fabric development) to develop the prototype (the first physical realisation of the design concept which should satisfy our customer's aesthetic vision, from silhouette, line, texture to colour) and technical package (a blueprint consisting of production instructions and specifications to facilitate contract manufacturers to realise design visions), where appropriate. Our technical and product development team will also review the technical packages provided by our customers and refine it to a production friendly format so as to facilitate the prototype development. The final prototype is subject to the approval by the respective brand technicians and account managers before it is presented to the customer. The whole product development process generally takes approximately four to eight weeks.

In the event that the customer is satisfied with the prototype, a formal quotation is prepared based on the cost structure taking into account various factors including materials specified, expected timeline, customer profile, expected production costs and distribution logistics. The quotation process generally takes approximately one to two weeks. For details on our pricing strategy, please refer to the paragraph headed "VII. Customers" under this section.

**Production management*****Material procurement***

Based on the specifications of the technical package, the production sourcing, order planning and allocation department conducts materials planning and procurement via our ERP system. To control the quality of our products, we only source main materials (being fabrics during the Track Record Period) from approved suppliers who can meet our quality standards with good record of on time delivery. Our material suppliers then produce the procured materials and send them to our contract manufacturers. To shorten production lead time, we selectively offer fabric platforming (which is essentially keeping an inventory of regular fabrics of higher demand) for customers on certain fabrics which are regularly featured in their lines such as cotton fabric for shirts, according to an agreed time frame. Under such arrangement, we order certain fabrics in bulk upon request from these eligible customers. The associated costs will be borne by our customers regardless whether the fabrics are utilised. In addition, quality control reporting on incoming material is mandatory. In general, we pay our

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material costs before bulk production is completed, which is in essence financing our customers for their raw material costs and thus leading to intensive working capital requirements, details of which are set out in the section headed “Future plans and use of proceeds” of this prospectus. For ancillary materials that are procured directly by our contract manufacturers, our contract manufacturers are required to adhere to our guidelines in respect of quality and price point. For details, please refer to the paragraph headed “VI. Quality control” under this section. In general, it takes approximately five to eight weeks to procure materials in the PRC and nine to 14 weeks to procure materials from other overseas locations.

### **Production**

To achieve versatility in terms of manufacturing location, order volume and production lead time, we strategically outsource the labour intensive manufacturing function to a network of 60 independent contract manufacturers in Vietnam, various provinces in the PRC, Cambodia and Indonesia. These contract manufacturers have passed through our internal requirements in respect of its technicality and social responsibility compliance and are capable of satisfying our customer’s requirements to realise their design visions. Quality is strictly maintained at every process from detailed instructions set out in our technical package to our FQC system for our contract manufacturers entailing, amongst other things, our on-site quality assurance personnel. Please refer to the paragraphs headed “Contract manufacturers” and “VI. Quality control” under this section for details. In generally, it takes approximately four to six weeks to complete production and quality control procedures.

### **Distribution**

As part of our apparel supply chain services, we are responsible for arranging delivery of the finished goods to our customers’ designated delivery locations. In general, we enter into purchase orders with our customers on an FOB basis, under which the legal title to the finished goods is transferred to our customers once the finished goods are delivered to the designated delivery locations. While we assume the responsibility of delivering the finished products to the designated delivery points, we generally instruct our contract manufacturers to deliver the finished goods on which we have imposed stringent quality control measures, details of which are set out in the paragraph headed “VI. Quality control” under this section. In certain other limited occasions, we sell on an LDP basis, a shipping arrangement whereby we assume all the responsibility of the transportation of the finished goods to our customers’ designated warehouses, which are usually in their home markets, through our appointed logistics services providers. The costs incurred such as the shipping expenses, export and import taxes, insurance fees and other applicable expenses before the finished goods are delivered to our customers are borne by us under the LDP basis. In general, it takes approximately two to four weeks for delivery depending on the shipment arrangement.

## **VI. QUALITY CONTROL**

We are committed to delivering high-quality services and products throughout the entire business workflow as described in the paragraph headed “V. Our operations” under this section. To this end, we have put in place a comprehensive and stringent quality control system together with a team of experienced quality assurance personnel to implement quality control measures, details of which are set forth below:

### **Quality control on raw materials**

Before we formally engage a raw material supplier, an initial assessment is conducted with reference to its product quality, pricing competitiveness and corporate social responsibility compliance, details of which are set out in the paragraph headed “IX. Suppliers” under this section.

To ensure the fabric adheres to our customers’ standards, we obtain samples from the intended fabric supplier prior to issuance of the purchase order. The supplier is also required to issue a quality control report, detailing the fabric’s characteristics, origin, tear strength and other physical properties, after bulk fabric shipment to our contract manufacturer. In general, our contract manufacturer conducts sample check on 10.0% to 15.0% of the incoming fabric using a four-point system, whereby defects in fabrics are assigned points according to the size and significance of the defect during a visual examination. If the inspection result is unsatisfactory, our contract manufacturer will conduct additional inspection or a full inspection on a case-by-case basis. Where the results of such inspection remain unsatisfactory, we will request for another batch of raw materials or even compensation to cover any losses arising therefrom. We also selectively conduct unscheduled product inspection and testing at the raw material supplier’s factory, and our raw material supplier shall provide necessary assistance in this regard.

For ancillary raw materials, we rely on the initial inspection performed by the ancillary raw material supplier and the inspection, including AQL, performed by our contract manufacturers on these raw materials’ specifications and quality in accordance with our internal and/or customers’ requirements. We also perform unscheduled process audits on these ancillary raw material suppliers to ensure their compliance with our guidelines.

### **Quality control on production**

Our past experience as an apparel manufacturer prompts us to place emphasis on quality assurance throughout the production process rather than mere post-production inspection. After the initial assessment on potential contract manufacturers as described under the paragraph headed “Selection of contract manufacturers” under this section, contract manufacturers who pass our assessment are required to sign and return a letter of undertaking in respect of social responsibility requirements as an acknowledgment of these requirements. We also distribute our in-house quality control manual to each contract manufacturer to ensure the quality of production, which lists out details including quality control procedures for raw materials as

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well as the requirements for commencing bulk production. In addition, we also exert control over the production process through purchase agreement, which generally stipulates (i) our approved contract manufacturers' obligations to (a) comply with the production requirements specified in our technical package; and (b) ensure their workshop and workers meet the technique standards; and (ii) our right to conduct unscheduled check or testing on the products produced by our contract manufacturers. Unscheduled inspection is conducted on contract manufacturers' factories from time to time to ensure compliance with our stringent requirements. A pre-production meeting involving the relevant parties including contract manufacturer, quality assurance team as well as the account manager is held before bulk production to ensure the production is carried out in accordance with our customers' and our requirements. We also station on-site quality control personnel at our major contract manufacturers to monitor the implementation of quality control measures and provide timely feedback to ensure a smooth and efficient production process.

Other than these quality assurance procedures focusing on overall FQC, we also implement stringent quality control procedures throughout the production process of our contract manufacturers. For instance, in-line inspection is carried out to assess the quality and functionality of the products throughout the production process and any identified anomaly is rectified before proceeding to the next stage. Comprehensive inspection is carried out for finished products with reference to our customers' requirements as well as our internal requirements. Subject to our satisfaction with the finished products and the receipt of packing list, we authorise our contract manufacturers to arrange the delivery of the finished products to the designated delivery locations of our customers.

### VII. CUSTOMERS

We derived revenue primarily from notable digitally native brands and platforms as well as conventional premium brands during the Track Record Period. Despite the intense competition in the apparel supply chain industry, some of our customer relationships have lasted for more than a decade. Whilst maintaining good business relationships with our existing customers, we intend to actively acquire new customers with strong potential growth and endeavour to be their partner of choice. With our versatility in terms of manufacturing location, order volume and production lead time, we want to further penetrate into the market of emerging brands and provide a more efficient order-processing mechanism for our existing clientele by building up a B2B platform, details of which are set out in the paragraph headed "III. Business strategies" under this section.

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Owing to the U.S. being the international hub for digitally native brands and platforms, U.S. based customers were our largest revenue contributor during the Track Record Period, accounting for over 60.0% of our revenue throughout the Track Record Period. The table below sets forth the revenue recognised during the Track Record Period in terms of where our customers are headquartered:

Customers' headquarters' location	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
	<i>(Unaudited)</i>									
U.S.	64,720	64.4	67,581	67.0	79,563	68.7	22,054	63.0	27,528	74.0
Greater China	15,586	15.5	14,582	14.5	13,302	11.5	6,441	18.4	2,909	7.8
Europe	13,315	13.2	14,434	14.3	16,278	14.0	4,320	12.4	5,391	14.5
Others	6,975	6.9	4,198	4.2	6,743	5.8	2,170	6.2	1,375	3.7
<b>Total</b>	<b>100,596</b>	<b>100.0</b>	<b>100,795</b>	<b>100.0</b>	<b>115,886</b>	<b>100.0</b>	<b>34,985</b>	<b>100.0</b>	<b>37,203</b>	<b>100.0</b>

### Top five customers during the Track Record Period

For each of the three years ended 31 December 2018 and four months ended 30 April 2019, our top five customers contributed approximately US\$57.8 million, US\$59.5 million, US\$76.5 million and US\$25.5 million of revenue respectively or approximately 57.5%, 59.0%, 66.1% and 68.6% of our total revenue respectively, whilst our top customer accounted for approximately 20.3%, 28.0%, 33.5% and 27.3% of our total revenue respectively. During the Track Record Period and up to the Latest Practicable Date, none of our top five customers for each of the three years ended 31 December 2018 and four months ended 30 April 2019 was also our supplier. We granted all our top five customers for each of the Track Record Period a credit term of 30 to 60 days with telegraphic transfer as settlement method. The following tables set forth the particulars relating to our Group's top five customers in each of the Track Record Period.



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*For the year ended 31 December 2016*

Customer	Principal business activities	Customer type	Business relationship with our Group since	Revenue <i>US\$'000</i>	% of total revenue %
Customer A <i>(Note 1)</i>	U.S. based online retailer	Digitally native	2011	20,387	20.3
Customer B <i>(Note 2)</i>	U.S. based fashion retailer	Premium	2005	14,427	14.3
Customer C <i>(Note 3)</i>	U.S. based fashion retailer	Premium	2007	10,022	10.0
Customer D <i>(Note 4)</i>	Hong Kong based fashion retailer	Moderate	2010	6,499	6.5
Customer E <i>(Note 5)</i>	U.K. based fashion retailer	Premium	2011	6,422	6.4
<b>Total</b>				<u>57,757</u>	<u>57.5</u>

*For the year ended 31 December 2017*

Customer	Principal business activities	Customer type	Business relationship with our Group since	Revenue <i>US\$'000</i>	% of total revenue %
Customer A <i>(Note 1)</i>	U.S. based online retailer	Digitally native	2011	28,194	28.0
Customer B <i>(Note 2)</i>	U.S. based fashion retailer	Premium	2005	13,442	13.3
Customer F <i>(Note 6)</i>	U.K. based fashion retailer	Premium	2014	6,755	6.7
Customer E <i>(Note 5)</i>	U.K. based fashion retailer	Premium	2011	5,587	5.5
Customer G <i>(Note 7)</i>	U.S. based fashion retailer	Premium	2014	5,545	5.5
<b>Total</b>				<u>59,523</u>	<u>59.0</u>

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*For the year ended 31 December 2018*

Customer	Principal business activities	Customer type	Business relationship with our Group since	Revenue <i>US\$'000</i>	% of total revenue %
Customer A <i>(Note 1)</i>	U.S. based online retailer	Digitally native	2011	38,870	33.5
Customer B <i>(Note 2)</i>	U.S. based fashion retailer	Premium	2005	13,970	12.1
Customer H <i>(Note 8)</i>	U.S. based online retailer	Digitally native	2016	9,343	8.1
Customer F <i>(Note 6)</i>	U.K. based fashion retailer	Premium	2014	8,294	7.2
Customer I <i>(Note 9)</i>	U.S. based fashion retailer	Premium	2013	5,997	5.2
<b>Total</b>				<u>76,474</u>	<u>66.1</u>

*For the four months ended 30 April 2019*

Customer	Principal business activities	Customer type	Business relationship with our Group since	Revenue <i>US\$'000</i>	% of total revenue %
Customer A <i>(Note 1)</i>	U.S. based online retailer	Digitally native	2011	10,140	27.3
Customer H <i>(Note 8)</i>	U.S. based online retailer	Digitally native	2016	4,945	13.3
Customer I <i>(Note 9)</i>	U.S. based fashion retailer	Premium	2013	3,808	10.2
Customer B <i>(Note 2)</i>	U.S. based fashion retailer	Premium	2005	3,766	10.1
Customer F <i>(Note 6)</i>	U.K. based fashion retailer	Premium	2014	2,851	7.7
<b>Total</b>				<u>25,510</u>	<u>68.6</u>

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*Notes:*

1. Customer A is a digitally native apparel company headquartered in the U.S.. This company focuses on the sales of men's clothing and accessories through its online store complemented by physical stores. This company is a subsidiary to a company listed on the New York Stock Exchange with a market capitalisation of approximately US\$340.6 billion as at the Latest Practicable Date. The listed company is a U.S. multinational corporation that is mainly engaged in the operations of retail, wholesale and other units, as well as e-commerce to sell a broad assortment of products. It recorded revenue of approximately US\$514.4 billion and profit after taxation of approximately US\$7.2 billion for the fiscal year ended 31 January 2019.
2. Customer B is a U.S. fashion retailer. Its apparel categories include clothing and accessories for men, women, boys, girls and kids. It runs an online platform and owns more than 100 brick-to-mortar stores in the U.S..
3. Customer C is a U.S. fashion retailer offering clothing and accessories for women, men and children. Operating under its own brand, it currently operates approximately 500 brick-to-mortar stores worldwide and generates approximately half of their net sales through their e-commerce business.
4. Customer D is a Hong Kong-based fashion retailer offering clothing and accessories for women and men and children across Asia Pacific under its own brand. This company is a subsidiary of a company listed on the Stock Exchange with a market capitalisation of approximately HK\$2.5 billion (approximately US\$313.8 million) as at the Latest Practicable Date. The principal activities of the listed company consist of (i) production, dyeing and sale of knitted fabric and yarn; (ii) retailing and distribution of casual apparel and accessories; and (iii) provision of franchise services and properties investment. For the fiscal year ended 31 March 2019, it reported revenue of approximately HK\$8.2 billion and profit after taxation of approximately HK\$320.4 million.
5. Customer E is a fashion retailer headquartered in the U.K. since 1999. It sells menswear, womenswear, accessories and footwear through department stores, stand-alone retail stores as well as its website. On 5 August 2019, Customer E went into administration and was bought out of administration by a company listed on the London Stock Exchange with a market capitalisation of approximately GBP1.7 billion (approximately US\$2.2 billion) as at the Latest Practicable Date. For the year ended 31 December 2018 and four months ended 30 April 2019, our Group's revenue attributable to Customer E was approximately US\$4.5 million and US\$1.6 million, representing approximately 3.9% and 4.4% of our total revenue respectively. Our Group's trade receivables due from Customer E as at 30 April 2019 amounted to approximately US\$0.4 million, which had been fully settled as at the Latest Practicable Date.

As at 5 August 2019 (being the date Customer E was placed in administration), our Group's trade receivables (representing the finished products already shipped to Customer E and were under the administrators' possession as at the Latest Practicable Date) from Customer E amounted to approximately US\$0.4 million. Our Group will call on a bank guarantee of approximately US\$0.3 million and settle the remaining balance with the fashion brand's new owner. As at 16 August 2019 (being the latest practicable date to ascertain the information), our Group had (i) ready-for-shipment products of approximately US\$0.3 million; and (ii) work-in-progress goods of approximately US\$0.7 million. This fashion brand's new owner had agreed to settle at revised terms.

Going forward, our Group intends to treat this fashion brand (under the new owner) as a new customer and negotiate for new purchase orders pursuant to our Group's policy as disclosed in the paragraph headed "Key terms and conditions of our customer contract" under this section. In view of the declining trend in sales from Customer E, our Directors are of the view that Customer E's financial difficulties will have no material adverse impact on our Group's business and prospect going forward.

6. Customer F is a U.K. based fashion brand. This company is best known for its biker jackets and offers clothing and accessories for men and women through over 200 brick-to-mortar stores and e-commerce site.
7. Customer G is a U.S. based fashion brand selling clothing and accessories for men and women. This company has become a subsidiary of a company since 2009, which is dually listed on the Stock Exchange and the Tokyo Stock Exchange with market capitalisations of approximately HK\$511.1 billion (approximately US\$65.2 billion) and JPY7.1 trillion (approximately US\$65.1 billion) respectively as at the Latest Practicable Date. The listed company recorded revenue of approximately JPY2.1 trillion and profit after taxation of approximately JPY169.4 billion for the fiscal year ended 31 August 2018. Its principal business scope covers the operations of several global apparel brands and a chain of own stores and franchises.

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8. Customer H sells a range of apparel and accessories through its website and mobile application and differentiates itself from other companies through offering a personalised shopping experience. This company is currently headquartered in the U.S. and listed on NASDAQ with a market capitalisation of approximately US\$2.3 billion as at the Latest Practicable Date. For the fiscal year ended 3 August 2019, it reported revenue of approximately US\$1.6 billion and profit after taxation of approximately US\$36.9 million.
9. Customer I offers a range of clothing and accessories for men and women through its retail stores, department stores and e-commerce platform. Its products are also sold through its extensive distribution locations across more than 40 countries. This company is listed on the New York Stock Exchange with a market capitalisation of approximately US\$265.4 million as at the Latest Practicable Date. For the fiscal year ended 2 February 2019, it reported revenue of approximately US\$279.0 million and net loss of approximately US\$2.0 million.

Save as the shareholding interests in Customer F held by Mr. Kim William Pak (our non-executive Director) as disclosed under the section headed “Directors and senior management” of this prospectus, during the Track Record Period and up to the Latest Practicable Date, to the best of our Directors’ knowledge, none of our Directors or any of their respective close associates, or any existing Shareholders who owns more than 5.0% of the issued share capital of our Company, had any interest in any of our top five customers for each of the three years ended 31 December 2018 and the four months ended 30 April 2019.

### **Pricing strategy**

We generally determine the prices of our products with reference to complexity of the product design, order volume, materials specified, expected timeline, service intensity, customer profile, historical selling prices of our products, production costs and the pricing behaviors of our competitors. Other factors, such as the relationship with the customers, our several business strategies, growth potential and market sentiment will also be taken into consideration.

### **Key terms and conditions of our customer contract**

As is customary in our industry, we do not enter into long-term contracts with our customers. Instead, we may enter into framework agreements with our customers under which some general terms and conditions such as details of customers, payment and credit terms, quality requirements, delivery details and product rectification are stated clearly. However, specific terms such as description of product and details of specific orders are alternatively set out in the individual purchase orders when our customers place orders for specific products. Our customers generally provide us periodical non-binding indicative seasonal projection on their expected apparel categories and order quantity on a rolling basis to facilitate our production planning.

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### *Payment and credit terms*

During the Track Record Period, our sales to customers were generally denominated in US\$ and we require our customers to settle the invoices by telegraphic transfer. For new customers or customers with relatively short business relationship with us, we may, on a case-by-case basis, require deposit in advance before we proceed with procuring materials. We generally grant our customers a credit term of 30 to 60 days after the issuance of invoice. The credit term is determined with reference to the customers' financial strength, brand awareness, scale of operation and country of operation.

### *Delivery details*

We generally enter into purchase orders with our customers on an FOB basis, under which the legal title to the finished goods is transferred to our customers once they are delivered to the designated delivery points. Under the FOB arrangement, we generally instruct our contract manufacturers to deliver the finished products to the designated delivery point. We may also adopt LDP arrangement with our customers if requested, under which we are responsible to arrange for delivery of the finished goods to customers' designated warehouses through our appointed logistics services providers. The shipping method is usually by sea or occasionally by air depending on the delivery schedule. For further details, please refer to the paragraph headed "V. Our operations" under this section.

### *Product rectification*

While we enter into written warranty terms with some of our customers, we are accountable for any product defect and we assume the responsibility to rectify it before acceptance of finished products by our customers, which is in line with the industry practice. If our customer is not satisfied with the quality of the finished products, the assigned account manager together with our quality control personnel will communicate with our customer and contract manufacturer to rectify the defect. Our contract manufacturers could replace the defective product with a new batch, and the relevant costs are largely to be borne by our contract manufacturers and/or responsible party subject to mutual agreement. We also accept product returns should the defective issues cannot be resolved. During the Track Record Period and up to the Latest Practicable Date, there had not been any material claim against us in relation to product defects nor had there been any material product returns from our customers. We incurred claim expenses amounted to approximately US\$58,000, US\$108,000, US\$226,000 and US\$57,000 for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 respectively, to cover any short shipment, late shipment, defects or inspection charges.

**Seasonality**

Traditionally, the apparel industry is broadly divided into two dominant seasons, namely Spring/Summer and Fall/Winter, with Fall/Winter being the busier season in the apparel industry in general. By offering multiple apparel categories and cultivating a customer base in both the northern and southern hemispheres, we have lessened the impact of seasonality. In addition, the growth of social media has advocated instant gratification. Seasonality has become less notable, especially for digitally native brands and platforms as well as emerging brands which embrace shorter production cycles and smaller production runs.

**VIII. SALES AND MARKETING****Sales strategy**

We employ a holistic approach in maintaining business relationships with our customers, under which both our management team and account managers are in close contact with our customers. This approach keeps us abreast of the latest market trends and equips us with better understanding of our customers. As such, our business relationships with our existing customers are anchored by our tacit understanding of our customers and their unique brand positioning, and have often led to word-of-mouth recommendations.

We have built our digital presence via various social media platforms and our own website. These platforms provide the relevant and latest information about our Group and attract potential customers. Meanwhile, our management also participates in various industry forums and discussions on notable media platforms as guest speakers on behalf of our Group, enhancing our media exposure.

Going forward, we will focus on both cultivating existing business relationships and exploring new opportunities. To this end, we have invested in a B2B online platform targeted at the underserved segment of the apparel industry – emerging brands. We intend to use approximately 16.3% of the net proceeds from the Global Offering to finance the continuing development of this B2B online platform, details of which are set out in the paragraph headed “Use of proceeds” under the section headed “Future plans and use of proceeds” of this prospectus.

**Competition**

According to Frost & Sullivan, the global apparel supply chain solutions industry is highly fragmented with more than 100,000 players in the market with annual production value of over US\$500.0 billion in 2018. Given the nature of the apparel supply chain industry with its many players, each with its attributes and segmentation, it is not practicable to ascertain the market share of our Group during the Track Record Period.

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However, our versatility in terms of manufacturing location, order volume and production lead time has enabled us to better serve digitally native customers who often require short production lead time and small-batch production. This distinguishes us from other leading players, which tend to cater to conventional brands that produce in large volumes.

In addition, approximately one-third of our employees are technically oriented. This, together with our extensive experience in the apparel industry and sound reputation for top quality, help us retain our existing customers and attract new customers despite the competitive landscape, the details of which are set out in the paragraph headed “IV. Our business model” under this section.

### **IX. SUPPLIERS**

Our suppliers include both contract manufacturers and raw material suppliers, who are located in the Southeast Asia, the PRC, Europe and India. We have in total 60 approved contract manufacturers and more than 340 approved raw material suppliers as at the Latest Practicable Date.

#### **Contract manufacturers**

As part of our business model, we have established a multi-jurisdiction contract manufacturer network in order to enjoy lower manufacturing costs and/or lower tariffs as well as benefits arising from international trade agreements. The multi-jurisdiction manufacturing network also provides our customers with flexibility in terms of manufacturing location, production lead time and order volume, product expertise, and price points, thereby strengthening our competitiveness in this fragmented industry.

#### **Key terms and conditions with our contract manufacturers**

During the Track Record Period, with the exception of the arrangement with Glad Garments Group, our Group did not enter into any long-term agreement with any of our suppliers. Please refer to the paragraph headed “Relationship with the Glad Garments Group” under this section for details. In matching suitable contract manufacturers with customers, we consider factors including technicality for the apparel categories, price points, production capacity, geographic location of production factories and other applicable factors relevant to the customers/orders. There are occasions under which our customers only engage approved contract manufacturers whom they have conducted annual audit with. During the Track Record Period and up to the Latest Practicable Date, there was no tri-lateral agreement entered into between us, our customers and contract manufacturers and we would be fully accountable to the customers for producing the finished products. We generally provide our contract manufacturers with non-binding seasonal indicative projection of our demand on a rolling basis with reference to the projections provided by our customers to facilitate production capacity planning.



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### *Order details*

The order details normally specify goods description, order quantity, unit price and shipping date. The unit price of products is agreed between us and our contract manufacturers, which should include all production costs in cutting, sewing, ironing, packaging and delivery. Our contract manufacturers are obliged to follow the order details as stipulated under the purchase agreement and we reserve the right to seek compensation from the related contract manufacturers to cover additional costs due to their negligence on following the order details. In addition, without our prior consent which is rarely given, our contract manufacturers are not allowed to subcontract their work to third parties.

### *Payment and credit terms*

Generally, our contract manufacturers issue invoices to us seven days before the delivery day or upon provision of all necessary information to us confirming the quantity and quality of the finished products, including delivery note and/or inspection report signed by our quality control personnel as well as the packing list. Our contract manufacturers generally grant us credit terms up to 60 days after receipt of invoices or upon shipment date and we generally settle our payments by telegraphic transfer or cheque.

### *Delivery details*

Contract manufacturers deliver the finished goods to the designated location instructed by us on or before the agreed delivery date. In the event of delay of delivery, the contract manufacturers are liable for any additional transportation costs as requested by our customers.

### *Product return policy*

Where the finished goods produced by the contract manufacturers require further modification, such finished goods shall be reworked by the contract manufacturers and the relevant costs are largely borne by the contract manufacturers. In the case where we receive compensation claims arising from defective finished goods after delivery, we reserve the right to seek compensation from the related contract manufacturers based on mutual agreement. During the Track Record Period and up to the Latest Practicable Date, we did not have any material product liability claim against our contract manufacturers, nor any incidences of material product defect which solicits product return.

### *Confidentiality*

The materials, accessories, patterns, unit prices, processing methods, trademarks and brands involved in the production processing are business secrets or otherwise intellectual property of our Company or our customers and we place strong emphasis on protecting the relevant intellectual property rights as well as preventing potential claims of intellectual property rights infringement from other parties. All of our contract manufacturers, their employees and our own employees are obliged to keep confidential of all the information

relating to, amongst others, the apparel design, materials, unit price, processing methods, trademarks and branding of our customers, which are stipulated clearly in the purchase agreement. In the event the contract manufacturer or their employees are in breach of such requirements, the associated costs arising from any claims or expenses from such infringement will be borne and indemnified by the contract manufacturer. We will also impose similar terms with our production partners (including our raw material suppliers and contract manufacturers) on the B2B platform to protect our customers from this channel. We will partner up with our existing raw material suppliers and contract manufacturers in the initial stage of the B2B platform and any new suppliers and contract manufacturers to this platform will be subject to the same assessment criteria as elaborated under the paragraphs headed “Selection of raw material suppliers” and “Selection of contract manufacturers” respectively. Internally, we have established a series of work procedures and policies for our staff to follow for the same purpose including but not limited to:

- all the design work shall be properly saved, named and documented with all changes recorded to enable its traceability;
- any terms of use that have been entered into between our Group and any third party shall be observed. Permission shall be sought from the owner of the intellectual property rights as well as the head of sales and merchandisers team before the relevant intellectual property rights are used beyond the provisions of the terms of use; and
- in the event that any potential infringement is suspected or found, it should be brought to the attention of the head of sales and merchandisers team immediately and discussed with our executive Directors. Legal advice may be sought where necessary.

### **Selection of contract manufacturers**

We maintain an approved list of contract manufacturers whose product quality, co-operation, cost-effectiveness, environment and corporate social responsibility and compliance with applicable rules and regulations will be assessed prior to engagement. Our contract manufacturers are required to provide a letter of undertaking with us before they are admitted to our approved list, which contains clauses including not to engage child labour, forced and compulsory labour, prevention of discrimination and adherence to International Standard SA8000 containing social responsibility requirements. Our quality control team and sales and merchandisers team also perform on-site inspection visits to ensure the production facilities are in compliance with all applicable rules and regulations before they are admitted to our approved list. Quarterly reviews are conducted in respect of quality, co-operation and cost effectiveness whilst a corporate social responsibility assessment covering aspects such as environmental protection, energy saving capacity, compliance with child labour laws as well as labour and human rights, is conducted on an annual basis. After the annual assessment, we will instruct our contract manufacturers to rectify any identified deficiency in complying with our corporate social responsibility requirements and the relevant labour laws, if any. If our

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customers have any additional corporate social responsibility requirements, we generally incorporate these additional corporate social responsibility requirements into our initial assessment prior to our engagement with this contract manufacturer if it is known to us which particular customer will place order with this new contract manufacturer. Otherwise, we generally perform pre-audit assessment ahead of our customers' annual audit schedule, if any, on the contract manufacturers to ensure their compliance with our customers' corporate social responsibility requirements, and our contract manufacturers are obliged to comply with our customers' requirements. The annual assessments on these contract manufacturers will also be conducted with reference to our customers' requirements as well as our internal requirements. In case the contract manufacturers are not compliant with our customers' and our corporate social responsibility requirements, for example, child labour laws, we will take appropriate actions to reconsider our business relationship with, conduct audit and investigations to the extent necessary and/or terminate the business relationship with the relevant contract manufacturers. Our Directors confirm that there had not been any material deficiency identified in our contract manufacturers' compliance with the required corporate social responsibility during the Track Record Period.

### **Raw material suppliers**

Raw material suppliers consist of both main material (such as fabric) and ancillary material suppliers (such as buttons and threads). Generally, we mandate the source of the main materials with reference to the product design, functionality, targeted customer and countries whilst ancillary materials are sourced by our contract manufacturers based on our required specifications. Our customers may also nominate certain raw material suppliers, in which case we are mandated to source the specified materials from these nominated raw material suppliers.

### **Key terms and conditions with our raw material suppliers**

We generally do not enter into any long-term agreement with our raw material suppliers. We source raw materials with reference to requirements from our customers, including design specification and budgeted costs through placing individual purchase orders.

### ***Order details***

The order details normally specify goods description, order quantity, unit price and shipping date.

### ***Payment and credit terms***

We are normally granted credit terms up to 60 days after receipt of invoices and we generally settle the payment by telegraphic transfer. Upfront payment may sometimes be required for certain raw material suppliers nominated by our customers.

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### *Delivery details*

Our raw material suppliers are responsible for the delivery of products to our designated loading ports and handling all customs clearance matters. Delivery dates, which are agreed between our Company and the suppliers are spelt out in our purchase orders.

### **Selection of raw material suppliers**

We maintain an approved list of raw material suppliers. The criteria for becoming our approved raw material suppliers include (i) their compliance with our and/or our customers' social and corporate responsibility requirements; (ii) their capacity and capability to cater to our and/or our customers' requirements; and (iii) their price competitiveness.

### **Top five suppliers during the Track Record Period**

For each of the three years ended 31 December 2018 and four months ended 30 April 2019, our top five suppliers accounted for approximately US\$31.8 million, US\$33.7 million, US\$39.6 million and US\$10.0 million of our cost of sales respectively, or approximately 38.8%, 44.3%, 46.3% and 37.4% of our total cost of sales respectively whilst our top supplier accounted for approximately 22.9%, 22.5%, 24.4% and 16.3% of our total cost of sales respectively. The following tables set forth the particulars relating to our Group's top five suppliers in each of the Track Record Period.

#### *For the year ended 31 December 2016*

Supplier	Principal business activities	Main types of goods/services supplied to us	Business relationship with our Group since	Cost of sales US\$'000	% of total cost of sales %
Glad Garments Group	PRC based contract manufacturer	Contract manufacturing	2007	18,843	22.9
Supplier A <sup>(Note 1)</sup>	PRC based contract manufacturer	Contract manufacturing	2015	7,082	8.6
Supplier B <sup>(Note 2)</sup>	Hong Kong based fabric supplier	Main materials	2009	2,600	3.2
Supplier C <sup>(Note 3)</sup>	PRC based contract manufacturer	Contract manufacturing	2015	1,784	2.2
Supplier D <sup>(Note 4)</sup>	PRC based contract manufacturer	Contract manufacturing	2015	1,524	1.9
<b>TOTAL</b>				<u>31,833</u>	<u>38.8</u>

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*For the year ended 31 December 2017*

Supplier	Principal business activities	Main types of goods/services supplied to us	Business relationship with our Group since	Cost of sales US\$'000	% of total cost of sales %
Glad Garments Group	PRC based contract manufacturer	Contract manufacturing	2007	17,104	22.5
Supplier A <sup>(Note 1)</sup>	PRC based contract manufacturer	Contract manufacturing	2015	7,427	9.8
Supplier E <sup>(Note 5)</sup>	Vietnam based contract manufacturer	Contract manufacturing	2013	3,572	4.7
Supplier F <sup>(Note 6)</sup>	PRC based contract manufacturer	Contract manufacturing	2015	2,823	3.7
Supplier G <sup>(Note 7)</sup>	PRC based fabric supplier	Main materials	2012	2,801	3.6
<b>TOTAL</b>				<u>33,727</u>	<u>44.3</u>

*For the year ended 31 December 2018*

Supplier	Principal business activities	Main types of goods/services supplied to us	Business relationship with our Group since	Cost of sales US\$'000	% of total cost of sales %
Glad Garments Group	PRC based contract manufacturer	Contract manufacturing	2007	20,887	24.4
Supplier E <sup>(Note 5)</sup>	Vietnam based contract manufacturer	Contract manufacturing	2013	9,946	11.6
Supplier B <sup>(Note 2)</sup>	Hong Kong based fabric supplier	Main materials	2009	3,164	3.7
Supplier H <sup>(Note 8)</sup>	PRC based contract manufacturer	Contract manufacturing	2015	2,867	3.4
Supplier G <sup>(Note 7)</sup>	PRC based fabric supplier	Main materials	2012	2,699	3.2
<b>TOTAL</b>				<u>39,563</u>	<u>46.3</u>

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*For the four months ended 30 April 2019*

Supplier	Principal business activities	Main types of goods/services supplied to us	Business relationship with our Group since	Cost of sales <i>US\$'000</i>	% of total cost of sales %
Glad Garments Group	PRC based contract manufacturer	Contract manufacturing	2007	4,366	16.3
Supplier E <i>(Note 5)</i>	Vietnam based contract manufacturer	Contract manufacturing	2013	2,657	9.9
Supplier G <i>(Note 7)</i>	PRC based fabric supplier	Main materials	2012	1,193	4.5
Supplier B <i>(Note 2)</i>	Hong Kong based fabric supplier	Main materials	2009	1,055	3.9
Supplier I <i>(Note 9)</i>	Pakistan based fabric supplier	Main materials	2014	753	2.8
<b>Total</b>				<u>10,024</u>	<u>37.4</u>

*Notes:*

- Supplier A, a group of companies, is an apparel manufacturer based in the PRC serving overseas and domestic customers. It has around 1,000 employees.
- Supplier B is a fabric manufacturer mainly focusing on the production of high-quality woven yarn dyed and piece dyed colour fabrics along with concentration on ecofriendly textile. Its customers are mainly global apparel brands. Its principal place of business is Hong Kong and it has a factory located in the PRC. The company has over 700 employees.
- Supplier C, a group of companies, is a global yarn dyed fabrics manufacturer and an international first-line brand shirts maker. It has set up 13 holding subsidiaries, three offices and more than 40 production plants across eight countries, namely China, the U.S., Italy, Japan, India, Vietnam, Cambodia and Myanmar. It is listed on the Shenzhen Stock Exchange with a market capitalisation of approximately RMB7.9 billion as at the Latest Practicable Date.
- Supplier D, a group of companies, is a subsidiary of a listed company on the Shanghai Stock Exchange with a market capitalisation of approximately RMB23.9 billion as at the Latest Practicable Date. It is based in the PRC and it has around 200 employees. Its business scope includes garment and fabrics development and production. Its customers are mainly based in Europe and the U.S..
- Supplier E operates as a conglomerate with business scope covering garment manufacturing and exporting, hospitality, supermarket chain and so on in Vietnam. Its main markets are the U.S., Europe and Japan. The company operates 18 factories and has around 12,000 employees. The company is listed on UPCoM (Unlisted Public Company Market) on the Hanoi Stock Exchange with a market capitalisation of approximately VND544.3 billion as at the Latest Practicable Date.
- Supplier F is an apparel manufacturer based in the PRC with principal product lines of suit and jacket. It has around 1,000 employees. Its target markets are Europe, the U.S. and Australia.

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7. Supplier G, a group of companies, is a manufacturer of yarn dyed fabrics and brand shirts based in the PRC. The group comprises of a listed company on the Shenzhen Stock Exchange with a market capitalisation of approximately RMB3.2 billion as at the Latest Practicable Date. It has around 6,000 employees and its target customers are from China, Europe and the U.S..
8. Supplier H, a group of companies, is a garment manufacturer based in the PRC. It has 11 production lines for suit, nine production lines for trousers and 10 production lines for shirts. Its formal clothing production base is one of the largest in the PRC. The group comprises of a listed company on the Shenzhen Stock Exchange with a market capitalisation of approximately RMB3.7 billion as at the Latest Practicable Date.
9. Supplier I is a vertically integrated textile company in Pakistan established in 1951 with approximately 22,000 employees. Supplier I is a listed company on the Pakistan Stock Exchange with a market capitalisation of approximately PKR29.5 billion as at the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, to the best of our Directors' knowledge, none of our Directors or any of their respective close associates, or any existing Shareholders who owns more than 5.0% of the issued share capital of our Company, had any interest in any of our top five suppliers for each of the three years ended 31 December 2018 and four months ended 30 April 2019. In addition, During the Track Record Period and up to the Latest Practicable Date, none of our top five suppliers for each of the three years ended 31 December 2018 and four months ended 30 April 2019 was also our customer. We were granted credit terms of up to 30 days by all our top five suppliers for each of the Track Record Period with telegraphic transfer as settlement method.

### Relationship with the Glad Garments Group

Ever since our Group's decision to move towards a versatile business model in the 2010s, we had been downsizing our self-operated production facilities and focusing on developing our multi-jurisdiction contract manufacturer network. In April 2016, our Group entered into a sales and purchase agreement (the "**Disposal Agreement**"), pursuant to which (i) Glad Garments (which was indirectly wholly-owned by Lever Apparel, a wholly-owned subsidiary of our Group); (ii) Lever Trend (Shenzhen) Co., Ltd.\* (利華成衣(深圳)有限公司) ("**Lever Trend**") (which was directly wholly-owned by Artigas Company Limited ("**Artigas**"), an investment entity incorporated in Hong Kong held as to 92.9% by Lever Style Holdings, a Controlling Shareholder, and as to 7.1% in aggregate by certain other Shareholders); and (iii) Chengtian Apparel (Shenzhen) Co., Ltd.\* (成田服飾(深圳)有限公司) ("**Chengtian**") (which was indirectly wholly-owned by a long-time employee of Mr. Szeto, a Controlling Shareholder), together with Jadestar Investment Limited (the holding entity of Glad Garments) and Enos Limited (the holding entity of Chengtian) (together the "**Glad Garments Group**"), were disposed of to an Independent Third Party, a private investor independent of our Company, our subsidiaries, Directors, Shareholders, senior management and any of their respective associates (the "**Disposal**"). Glad Garments, Lever Trend and Chengtian were the three manufacturing operating entities within the Glad Garments Group which operated three production plants in Shenzhen, China with a headcount of around 2,600 in aggregate and an annual production volume of approximately 2.2 million pieces of apparel products for the year ended 31 December 2015, based solely on the historical information retained by our Group and for potential investors' reference only. At the time of Disposal, the other entities within the Glad Garments Group were investment holding entities with no business operations.



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Together, the Glad Garments Group and our Group operated our apparel supply chain solutions business under a self-manufacturing business model prior to Disposal and our Group utilised the Glad Garments Group's manufacturing capability through import processing arrangements as detailed under the paragraph headed "Import processing arrangements" under this section below. Subsequent to the Disposal, Glad Garments and Lever Trend continued with their manufacturing operations in Shenzhen and remained (on a combined basis) as the largest supplier of our Group during the Track Record Period, while, based solely on the information available to our Group, Chengtian had since ceased its operations and the business relationship between our Group and Chengtian had ceased.

The consideration under the Disposal Agreement was approximately HK\$41.4 million, which was determined based on arm's length negotiation with reference to the adjusted net asset value (taking into account cash and cash equivalents, inventory, pre-payments, receivables and payables) of Glad Garments, Lever Trend and Chengtian as at 29 February 2016. The consideration attributed to Glad Garments, Lever Trend and Chengtian was approximately HK\$31.5 million, HK\$7.4 million and HK\$2.5 million, respectively. The Disposal Agreement contains customary conditions precedents, representations, warranties and indemnities in respect of the Glad Garments Group's operations prior to the Disposal. In August 2016, the Disposal was formally completed. The disposal of Glad Garments, which was owned by our Group before the Disposal, resulted in other gains of approximately US\$2.0 million of our Group. Based solely on the information available to our Group, the Disposal of Lever Trend and Chengtian resulted in other gains of approximately HK\$25,000 and nil respectively.

Prior to the Disposal, the Glad Garments Group served solely as our manufacturing arm. After the Disposal, it began to develop an independent customer base in addition to acting as our supplier.

Up to the Disposal in August 2016, Glad Garments recorded a net loss of approximately US\$30,000. Such loss incurred was due to the seasonality effect as discussed in the paragraph headed "VII. Customers" under this section. Based on the information available to us, Glad Garments recorded net profit for its full financial year of 2016 as compared to a net loss recorded up to the Disposal as discussed above.

Pursuant to the Disposal Agreement, following the Disposal, we committed to engage the Glad Garments Group as our contract manufacturers for a minimum of HK\$135.2 million, HK\$118.3 million and HK\$84.5 million (approximately US\$17.2 million, US\$15.1 million and US\$10.8 million respectively) worth of orders for 2016, 2017 and 2018 respectively. We fulfilled such commitment and our orders provided to the Glad Garments Group exceeded the above amounts for each of 2016, 2017 and 2018. Subsequent to the year ended 31 December 2018, our minimum order commitment under the Disposal Agreement has expired and we are no longer subject to any order commitment with the Glad Garments Group. Our Directors were of the view that it is commercially reasonable and mutually beneficial to enter into the Disposal Agreement with such terms. The Disposal Agreement has allowed our Group to secure sufficient production capacity, while we continued to build and expand our multi-jurisdiction

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contract manufacturer network as part of our versatile business model. Following the Disposal, our Group has not been involved in the daily operations of the Glad Garments Group with the exception of customary practices between our Group and other independent contract manufacturers such as onsite quality control and technical know-how sharing. Since the Disposal, the Glad Garments Group has been Independent Third Party of our Group and our relationship with Glad Garments Group is in line with our Company's policy on supplier selection. Our Group intends to continue to engage with the Glad Garments Group as our contract manufacturer for apparel products going forward if it can meet our selection requirements. However, as discussed in the paragraph headed "Recent development" under the section headed "Summary" of this prospectus, many of our Group's customers with production exposure in China have indicated their preference to gradually phase out from contract manufacturers based in China in 2019 and 2020, which may affect our transaction amounts with the Glad Garments Group going forward.

During each of the three years ended 31 December 2018 and four months ended 30 April 2019, transactions with the Glad Garments Group accounted for approximately 22.9%, 22.5%, 24.4% and 16.3% of our cost of sales respectively. Subsequent to the year ended 31 December 2018 and up to 31 August 2019 (being the latest practicable date to ascertain such information), our Group's transactions with the Glad Garments Group amounted to approximately US\$8.6 million.

The Glad Garments Group was our largest supplier (in terms of purchase amount) throughout the Track Record Period. Prospective investors should read the risk factor headed "We rely on third party contract manufacturers for the manufacturing of apparel products" under the section "Risk factors" of this prospectus carefully. We select our suppliers from our multi-jurisdiction manufacturing network based on manufacturing location, production lead time, order volume, product expertise and price points. According to Frost & Sullivan, there is an abundance of alternative contract manufacturers with comparable production capacity of the Glad Garments Group due to the emerging garment manufacturing industry in Vietnam, Cambodia, Indonesia and the APAC region in general and the fragmented nature of this industry. Our relationship with the Glad Garments Group has been mutually beneficial. While the Glad Garments Group has been a major supplier of ours, our Group has been a major customer of the Glad Garments Group throughout the Track Record Period.

Our Directors have confirmed that following the Disposal, (i) the Glad Garments Group is an Independent Third Party and is not a connected person nor an associate of a connected person of our Company under the Listing Rules; (ii) none of our Directors and substantial Shareholders holds any equity interest, directorship or any other duty, interest and responsibility in the Glad Garments Group; and (iii) the transactions between us and the Glad Garments Group have been entered into in our ordinary course of business, on normal commercial terms and are fair and reasonable and in the interests of our Group and our Shareholders as a whole. In coming up with this confirmation, our Directors have compared the per unit manufacturing costs and other commercial terms between the Glad Garments Group and our other contract manufacturers.

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Solely based on the information available to us, each of the current operating entities in the Glad Garments Group was profitable in each of the financial year after the Disposal and during the Track Record Period. Our Directors are satisfied that the Glad Garments Group has the necessary financial and operational resources to continue acting as one of our major suppliers.

### **Import processing arrangements**

#### *Background*

Prior to the Disposal, the Glad Garments Group and our Group together operated our apparel supply chain solutions business under a self-manufacturing business model, whereby Lever Shirt and Levertex (each a wholly-owned subsidiary of our Company) engaged in import processing arrangements (the “**Import Processing Arrangements**”) with Lever Trend, a manufacturing operating entity within the Glad Garments Group. Under the Import Processing Arrangements, Lever Shirt and Levertex engaged in the trading of garments and subcontracted Lever Trend to manufacture the apparel products in their production plants in Shenzhen, China. Payment from Lever Shirt and Levertex to Lever Trend would go through Artigas, the holding company of Lever Trend.

Artigas was previously a wholly-owned subsidiary of Lever Garment Limited (in turn a wholly-owned subsidiary of our Company) and a member of our Group. In September 2015, Artigas was disposed of and became owned as to 92.9% by Lever Style Holdings (a Controlling Shareholder), 0.7% by Mr. Andersen Dee Allen (a Shareholder), 1.5% by Ms. Haruko Enomoto (a Shareholder and a former employee of our Group) and 4.9% by Mr. Yuen Kam Sun (a Shareholder and a former employee of our Group). The consideration for the disposal was HK\$1,000 in aggregate with reference to the fact that Artigas and our Group share substantially the same shareholder base. The net book value of Artigas at the time of its disposal by the Group was approximately HK\$36.5 million, while the net loss of Artigas for the year ended 31 December 2014 (being its latest financial year before its disposal) amounted to approximately HK\$3.4 million.

#### *IRD review*

##### *Background*

In 2013, the Inland Revenue Department of Hong Kong (the “**IRD**”) launched a review (the “**Review**”) on, among others, the Import Processing Arrangements. Prior to the Disposal, Lever Apparel (another subsidiary of our Group) also engaged with Glad Garments and Chengtian in manufacturing apparel products under a separate arrangement since the commencement of our business relationship with them, which was 2007 and 2012 respectively (to the best knowledge of our Directors), which was recorded as buy/sell transactions in the financial statements of the relevant entities, under which turnover and purchases are recorded in their books based on the accounting approach signed off by the entities’ then auditors. Lever

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Shirt, Levertex and Artigas (being entities involved in the Import Processing Arrangements) were not involved in the transactions between our Group and Glad Garments or Chengtian and this arrangement was not subject to review by the IRD and is separate from the Import Processing Arrangements.

The periods under Review were the years of assessments 2006/07 to 2017/18. In March 2013, as part of the Review process, the IRD raised additional assessments on Lever Shirt, Levertex and Artigas (together the “**Entities**”), which were in essence protective tax assessments occasioned by the standard six-year time bar in section 60(1) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**IRO**”). Each of the Entities duly objected to the additional assessments pursuant to section 64 of the IRO, a self-contained, non-contentious process provided by law for taxpayers to object an assessment specifically with a view to resolving a difference of opinion with the IRD. As a result, the amounts claimed by the IRD as being due by way of tax under these assessments were held over in part unconditionally and in part subject to the purchase by the Entities of tax reserve certificates. Please refer to the paragraph headed “7.2.4 Tax reserve certificates” under the section headed “Financial information” of this prospectus for details of the tax reserve certificates purchased by Lever Shirt and Levertex. In subsequent years, the IRD has issued additional protective tax assessments again to protect itself against the statutory time bar provisions under the IRO and to continue with the Review, and each of Lever Shirt, Levertex and Artigas has duly objected to these assessments and correspondingly purchased tax reserve certificates. While our Directors believe that the tax reserve certificates, which were all purchased pursuant to the Review, held as at the end of each year during the Track Record Period by our Group were wholly related to the Import Processing Arrangements, none of the additional assessments and purchase demand notes from the IRD were earmarked or broken down into individual accounting entries.

Under the Import Processing Arrangement, Artigas booked processing fees payable to the Glad Garments Group as subcontracting expenses on its financial statements, while the transactions were recorded as “buy/sell” transactions by the Glad Garments Group, under which turnover and purchases were recorded in its book. According to our Directors and Tax Representative, such difference in accounting treatment between Artigas and the Glad Garments Group resulted in impracticalities for the IRD to reconcile the amount of processing fees between the financial statements of the two entities during the Review. After two rounds of written queries from the IRD, to which each Entity has confirmed that it had responded in a fully cooperative manner, the Review began to focus on the discrepancy between (i) the processing fees to the Glad Garments Group as reported in its financial statements and tax filings; and (ii) the actual remittance by Artigas to the Glad Garments Group (the “**Remittance Discrepancy**”). The Remittance Discrepancy was at the relevant times booked as accruals in Artigas’s financial statements. The IRD’s focus on Artigas was due to the fact that, according to the Directors and Mr. Ng Kwok Cheung, Bernard, a certified public accountant first admitted as an associate member of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) in June 1989 having previously worked at two “big 4” accounting firms in Hong Kong, who was engaged by the Entities as a tax representative to liaise with the IRD (the “**Tax Representative**”),

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Artigas was treated as the principal company primarily responsible for transacting with the Glad Garments Group. This IRD approach is evidenced by the fact that a substantial increase in the amount of tax reserve certificates and additional protective tax assessments for the years of assessment in question was issued to Artigas at the later stage of the Review.

### *Tax Representative's views*

According to the Tax Representative, IRD investigations such as the Review turning on the accounting classification of “processing fees” payable are not uncommon in the garment industry and even the wider manufacturing industry in Hong Kong, especially among industry players having a relatively long history of operations. The accounting treatment similar to our Group’s Import Processing Arrangements is very often a historical practice stemming from the conversion of “contract processing” arrangements with manufacturing factories in PRC to “import processing” arrangements with PRC subsidiaries in the early 90s as a result of the introduction of “wholly-owned foreign entities” regime in the PRC. Under this accounting approach, many industry players elected to book in their Hong Kong-incorporated entities’ financial statements the entire transaction amounts with their PRC manufacturing entities (comprising primarily material costs, labour costs, overheads and profits for the manufacturing entities) as “processing fees” but in practice remitted only sufficient amount of monies into the PRC to sustain the daily operations of their manufacturing (comprising primarily only labour costs and overheads). This accounting approach was often made on the good faith assumption that the conversion from “contract processing” to “import processing” resulted in a simple change in the PRC manufacturing entities’ registration status with no practical impact on actual operational flow and business model, and was often endorsed by the auditors in question. The Tax Representative has reassured our Directors that he has handled similar cases before where the IRD enquired on and eventually held a different view from the taxpayers on the accounting treatment of Remittance Discrepancy under arrangements similar to the Import Processing Arrangements. In his experience, it is not uncommon in Hong Kong for the IRD and taxpayers to have different views of the proper classification of “processing fees” for the purposes of their tax and accounting treatment, which on their own are often a question of accountant-endorsed director judgment and may or may not be consistent with the IRD’s position. In that regard, it is not at all uncommon for taxpayers to have a good faith difference of opinion with the IRD. In fact, the objectives of section 64 of the IRO is a self-contained, non-contentious process (which was undertaken by the Entities during the Review process) for a taxpayer to object to an assessment raised by the IRD, specifically with a view to resolving such differences of the opinion.

### *IRD Settlement*

In March 2019, a full and final settlement proposal was reached between the IRD and the Entities (the “**IRD Settlement**”) of the matters remaining in dispute pursuant to the Review. Under the IRD Settlement Artigas was to pay (i) a compounded penalty of HK\$8.15 million for allegedly making incorrect tax returns without reasonable excuse for the years of assessment 2011/12 to 2014/15 pursuant to sections 80(2) and 80(5) of the IRO; (ii) a compounded penalty of HK\$110,000 for allegedly failing to keep sufficient records of income and expenditure to

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enable assessable profits to be readily ascertained for the years of assessment 2011/12 to 2016/17 pursuant to sections 80(1A) and 80(5) of the IRO; and (iii) an amount of approximately HK\$6.21 million, being the amount of profits tax allegedly underpaid by Artigas from the years of assessment 2006/07 to 2016/17. In respect of Lever Shirt and Levertex, no penalty nor additional taxes were levied pursuant to the Import Processing Arrangements. No other member of our Group or the Glad Garment Groups was subject to any additional tax or penalty by the IRD with regards to the Import Processing Arrangements. The IRD Settlement, upon payment of the allegedly underpaid taxes and compounded penalties, constituted final and conclusive settlement of the Review as though the matter had been determined on appeal by the Inland Revenue Board of Review or a higher court under the IRO.

While the IRD Settlement does not contain the calculation basis of the allegedly underpaid profit taxes and compounded penalties, the Tax Representative understands that in computing the allegedly underpaid profit taxes of HK\$6.21 million, the IRD had, by and large, (i) selected four benchmark years during the periods under Review; (ii) re-classified the Remittance Discrepancy in each benchmark year, and (iii) projected the amount of assessable profits in each year during the periods under Review based on the re-classified financial statements during the four benchmark years. In selecting the four benchmark years, the Tax Representative understands that the IRD disregarded the years of assessments where (i) the Remittance Discrepancy resulted in overpaid profit tax; and (ii) our Group recorded an atypical level of turnover. In commercially deliberating on the IRD Settlement, our Directors had revisited Artigas' financial statements and confirmed that the amount of allegedly underpaid profit taxes was largely in line with the computational principles above.

For potential investors' reference, the processing fees booked by Artigas, actual remittance made by Artigas and the Remittance Discrepancy between them for each of the four benchmark years (being 2008, 2009, 2011 and 2013) as selected by the IRD are as follows:

	<b>2008</b>	<b>2009</b>	<b>2011</b>	<b>2013</b>
	<i>HK\$'</i>	<i>HK\$'</i>	<i>HK\$'</i>	<i>HK\$'</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Processing fees booked by Artigas	164.0	130.0	179.0	173.0
Actual remittance made by Artigas	<u>160.0</u>	<u>127.0</u>	<u>177.0</u>	<u>171.0</u>
Remittance Discrepancy	<u><u>4.0</u></u>	<u><u>3.0</u></u>	<u><u>2.0</u></u>	<u><u>2.0</u></u>

*Note:* For prospective investors' reference, the purchases made from the Glad Garments Group recorded in Lever Apparel's financial statements as buy/sell transactions in 2008, 2009, 2011 and 2013 amounted to approximately HK\$216.3 million, HK\$170.0 million, HK\$270.6 million and HK\$306.3 million, respectively. These buy/sell transactions are separate with the Import Processing Arrangements.

For the purpose of the IRD Settlement, the financial figures above had also been submitted to the IRD according to the Tax Representative.



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With regards to the compounded penalties, the IRD has a wide-ranging discretion under section 80 of the IRO to require a penalty of HK\$10,000 per alleged offence plus treble the amount of tax undercharged. While neither our Directors nor the Tax Representative was made aware of the detailed basis for the exercise of the IRD's discretion in the IRD Settlement, it would appear that, based on the Tax Representative's experience in handling similar cases, (i) the compounded penalty of HK\$8.15 million (against HK\$6.21 million of alleged underpaid taxes) would constitute a low-end penalty loading for less serious allegations made pursuant to sections 80(2) and 80(5) of the IRO; and (ii) the compounded penalty of HK\$110,000 would constitute comparatively modest administrative fine under sections 80(1A) and 80(5) of the IRO. It must be noted that contrary to certain other provisions under the IRO, the IRD did not publish any specific penalty guidance or policy on penalty loading for an alleged offence in contrary of section 80 of the IRO.

### *Special Tax Counsel's views*

Our Directors, based on the Tax Representative's involvement in the Review, are of the view that the Review on the Import Processing Arrangements constituted a good faith divergence of views with the IRD. According to Mr. Stefano Mariani of Deacons (the "**Special Tax Counsel**"), being a solicitor in Hong Kong and barrister-at-law in the England and Wales and acting as a Special Tax Counsel to the Sponsor, the IRD Settlement constituted a settlement computed on the basis of a compounded penalty under section 80 of the IRO which, by legislative intent and the case law on point, is an administrative penalty that does not imply an element of dishonesty, fraud or wilful intention to evade taxes. His conclusions were expressed on the basis that (i) had the IRD been of the view that the conduct of the Entities and/or their directors or officers or representatives had been dishonest, fraudulent or otherwise with an intent to evade taxes, it would have sought to sanction them under section 82 of the IRO (instead of section 80 as in the case of the IRD Settlement), which is the relevant statutory provision sanctioning such conduct; (ii) there is a fundamental difference between an allegation or offence under section 80, which is a strict liability offence that does not require any particular state of mind, i.e. an element of *mens rea*, and section 82, which specifically sanctions a subjective state of mind that is fraudulent, dishonest or with the intention to evade tax or to assist a person to evade tax; (iii) section 80, by its legislative intent, provides for a penalty that is purely administrative for acts or omissions that may be innocent or careless or even negligent, but are not culpable to the extent that they amount to tax evasion, and does itself not provide for tax evasion offences; (iv) in any event, absent a criminal investigation and conviction under section 82 of the IRO, fraud, dishonestly and intent to evade tax cannot be imputed to any person, let alone established as matters of facts and law: these are matters to be proven by the prosecution beyond reasonable doubt and, before such time, the presumption of innocence must be necessarily obtained; and (v) the legislative context of the IRO, the IRD's prevailing practices and case law on point clearly distinguish between the administrative penalty under section 80 and the more severe criminal offence under section 82. A penalty under section 80 (as in the case of the IRD Settlement) merely suggests that the IRD considered the tax returns were incorrect, but it does not imply any dishonestly or similar default on the part of the taxpayer. The Special Tax Counsel has also taken into account the facts that (i) the Tax Representative has confirmed that based on his involvement in the Review, there was at



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no material time any allegation by the IRD, written or verbal, of any gross negligence, recklessness, fraud, dishonesty or intention to evade taxes on part of any of the Entities and/or their directors, officers or representatives; (ii) our Directors have confirmed that the tax returns filed each year during the period under Review were consistent with the audited financial statements and books and records which were signed off by auditors and in accordance with the Group's accounting policies and the prevailing accounting standards; (iii) there had been no delay, deliberate misstatement, false information, omission or dishonest acts in preparing the tax returns under the Import Processing Arrangements; (iv) it is wholly licit for a taxpayer (or their auditors) to differ from the IRD in the matter of an interpretation of accounting practice or tax laws; (v) the IRD Settlement, at law, constituted a final and conclusive settlement of the matters remaining in dispute under the Review that is accepted and agreed by the IRD; (vi) the Entities had already settled the alleged underpaid taxes and compounded penalties set out in the IRD Settlement; and (vii) the financial statements during the periods under Review were signed off by auditors and tax advisers at the relevant times. The Review was therefore based on a difference of opinion, reflecting accounting approaches that were legitimately at variance.

### *Lever Shirt Penalty*

Unrelated to the Import Processing Arrangements, the IRD Settlement also included a compounded penalty HK\$205,000 on Lever Shirt for allegedly failing to file an employer's return with respect to a consultant for the years of assessment 2011/12 to 2014/15 pursuant to section 80(2) of the IRO (the "**Lever Shirt Penalty**"). Our Group did not report the income received by the consultant in our employer's returns based on the inadvertent understanding that consultancy services did not constitute an employer/employee relationship under the IRO. Although this penalty formed part of the Review, it was wholly unrelated to and independent of the Import Processing Arrangements.

### *Financial impacts*

The Review did not have a material adverse impact on our Group's operations and financial position because (i) no penalty nor additional taxes were imposed by the IRD on our Group other than the Lever Shirt Penalty of HK\$205,000, an amount which is immaterial to our Group taken as a whole (which had a cash or cash equivalent of approximately US\$3.1 million as at 31 December 2018). The other penalty and additional taxes specified in the IRD Settlement were levied to Artigas which is the sole party responsible for settlement; (ii) the Lever Shirt Penalty of HK\$205,000 has been settled in its entirety by cash and our Group's tax reserve certificates have fully been redeemed from the IRD as at the Latest Practicable Date; (iii) the IRD Settlement, according to the Special Tax Counsel, constituted a final and conclusive settlement of the Review as though the matter had been determined on appeal by the IRD's board of review or a higher court pursuant to sections 64(3) and 70 of the IRO. The IRD should have no right or standing on the terms of the IRO to seek prosecution onto impose further penalties based on the Review; and (iv) the Review was a comprehensive review on the financial records of our Group and the Glad Garments Group. Aside from the Import Processing Arrangements and the Lever Shirt Penalty, all other enquiries raised were addressed

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to the IRD's satisfaction. In particular, the Tax Representative has informed us that there is no necessary adjustment to the assessable profits of Lever Shirt and Levertex as a result of the Review, and that no member of our Group was alleged to have kept insufficient business records in the course of the Review.

The Entities had duly settled the alleged underpaid taxes and compounded penalties as specially invoiced and addressed to them in the IRD Settlement as at the Latest Practicable Date. Notwithstanding that the Import Processing Arrangements are related to our Group's operations prior to the disposal of Artigas, it was a commercial decision of our Controlling Shareholders that Artigas should be responsible for the payment of compounded penalties because (i) both Artigas and our Group currently share substantially the same shareholder base; (ii) our Group has transformed from a self-operated manufacturing model (under which it previously engaged in the Import Processing Arrangements) to a versatile business model; and (iii) the disposal agreements with respect to Artigas did not contain any provisions which would deal with apportionment of liabilities or otherwise require the seller (i.e. our Group) to indemnify the buyers (i.e. our Controlling Shareholders) against any tax liabilities or penalties. Our Controlling Shareholders have confirmed that at the time of the disposal of Artigas, the discussion was made by the parties in full awareness of the Review and the potential penalty to be imposed by the IRD (estimated based on the amount of tax reserve certificates purchased). Our Directors have confirmed that, if Artigas had remained as part of our Group during the Track Record Period, the allegedly underpaid profit taxes and the compounded penalties settled by Artigas (i) would have reduced the opening net asset balance of our Group as at 1 January 2016 by approximately HK\$14.0 million (equivalent to approximately US\$1.8 million); (ii) would not have had any impact to the profit or loss of our Group during the Track Record Period; (iii) would not have resulted in a material financial impact on our Group taken as a whole; and (iv) would not have rendered our Group ineligible for Listing pursuant the minimum profit and market capitalisation requirements under Rule 8.05 of the Listing Rules.

### *Unlikelihood of re-occurrence*

Re-occurrence of the Review is precluded by the fact that our Group, having transformed from a self-operated manufacturing model to a versatile business model by virtue of the Disposal, no longer engages in the Import Processing Arrangements. Our Group had also replaced the auditors, tax advisers and finance team that were involved with the preparation of the financial statements during the periods under Review. Under the current contract manufacturing model, all sub-contracting and manufacturing costs payable to third party contract manufacturers are properly accounted for as costs of sales in our financial statements. In the course of the Review, the IRD has also reviewed the financial statements and tax returns of Lever Shirt and Levertex up to the year of assessment 2017/18 and has to date raised no further queries with respect thereto. We will continue preparing our financial statements on the basis of accounting principles and best practices as agreed with the IRD. Furthermore, we have sufficient internal control measures in place to prevent reoccurrence. The material intra-group transactions of our Group for during the Track Record Period have been reviewed by our Group's transfer pricing consultant. For details, please refer to the paragraph headed "Transfer pricing" under this section.

**X. INVENTORY CONTROL**

Our inventory consists of raw materials, work-in-progress and finished goods. We utilise an ERP system to provide real time information regarding our inventory status including aging, receipt of raw materials, invoices and their current location. Since the raw materials are normally sent to our contract manufacturers' factories directly for processing, the ERP system provides our Group with better visibility and control over the production process and thereby facilitates our communication with our customers. For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, the inventory turnover days were approximately 62.7, 80.1, 68.9 and 68.7 days respectively.

Apart from managing inventory that we procure for specific customers' orders, we also selectively perform fabric platforming for certain customers according to an agreed time frame, details of which are set out under the paragraph headed "V. Our operations" under the section headed "Business" of this prospectus. We closely monitor the inventory level under the fabric platforming arrangement and constantly communicate with our customers to prevent obsolete inventory.

**XI. INFORMATION TECHNOLOGY SYSTEM**

To effectively monitor and control our apparel supply chain management services which involve many customers, raw materials suppliers and contract manufacturers, our Group adopts an ERP system applicable to customer management, raw material sourcing and inventory management. The ERP system helps our management oversee the production process, provide updates to each department in a timely manner, and quickly respond to any difficulty encountered.

Given that the ERP system records all our business activities, employees with different seniorities have different access rights to our ERP system to ensure that we do not grant excessive rights to our junior employees. In addition, each control point of the ERP system is monitored by a senior staff who is responsible for approving the relevant action at this control point. Without the approval from the respective senior staff, no further progress can be made. This ensures that every control point such as raw material sourcing, shipment order and invoice issuance is monitored.

Apart from the ERP system, we have an RFID system in place which helps us track the prototype production process in a real time manner. This facilitates communication with our customers regarding our latest prototyping status, which is especially important to customers such as digitally native brands and platforms that require short production cycles. Other systems such as office automation system and human resources information system also reduce the time our employees spend on administrative procedures and enable them to access corporate data and systems anytime, and anywhere with an internet connection.

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### XII. EMPLOYEES

As at the Latest Practicable Date, we had a total of 392 full-time employees substantially all of them are based in Shenzhen and Hong Kong. A breakdown of employees by function as at 31 December 2016, 2017, 2018, 30 April 2019 and the Latest Practicable Date is set forth below:

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018	As at 30 April 2019	As at the Latest Practicable Date
Management	3	3	3	3	3
Sales and merchandisers	123	117	128	134	139
Product development and design	120	118	125	132	148
Production management and distribution	49	49	56	55	59
Finance	14	15	15	14	17
Administration	27	24	21	28	26
<b>Total</b>	<u>336</u>	<u>326</u>	<u>348</u>	<u>366</u>	<u>392</u>

Our Group has multiple recruitment channels, including advertisements on recruitment websites and recruitment agencies. Depending on the department and position, different on-the-job trainings are provided to our employees to enhance their knowledge in respect of their job duties. Our human resources department specifies the relevant requirements for each position and is responsible for arranging the recruitment process.

We provide competitive remuneration packages to retain and reward our employees, including performance based discretionary bonuses and medical insurance. Since the majority of our employees are PRC permanent citizens, we also provide benefits to these employees in accordance with the applicable PRC laws and regulations, including endowment insurance, medical insurance, maternity insurance and housing provident fund. During the Track Record Period, we complied with all applicable laws and regulations in all material aspects with respect to the social security fund and housing provident fund contributions.

For Hong Kong employees, we have also enrolled them in the defined contribution scheme and complied with applicable labour and social welfare laws in Hong Kong.

During the Track Record Period, we did not have any material disputes with our employees or other labour disturbances to our operations. For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, our total staff costs were approximately US\$8.2 million, US\$8.9 million, US\$9.7 million and US\$3.9 million respectively.

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### XIII. WORK SAFETY

We do not own or operate any manufacturing facilities and therefore we are not subject to any manufacturing related safety measures. However, we are required by law to purchase work safety insurance covering work place related injury for our employees both in Hong Kong and in the PRC. During the Track Record Period, we were not subject to any material claims from our employees regarding work place injury.

### XIV. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY MATTERS

We regard the environment and social responsibility to be more than just a box-ticking exercise. We are committed to minimising our impact to the environment during the production process. To achieve this, we have implemented various measures to minimise our environmental impact.

We have employed technologies including “green wash” and “natural dye” in some of our contract manufacturers’ factories in order to minimise the impact to the environment during wash processing. By utilising the “green wash” technology, our contract manufacturers can effectively reduce the discharge of polluted water by approximately 90.0% during the production process. By utilising “natural dye”, we derive colorants from natural sources such as plants or minerals which cause less adverse impact to the environment compared to traditional chemical based colorants.

During the Track Record Period, we did not receive any material complaints, claims or legal actions from our customers in relation to our compliance with corporate social responsibility.

### XV. INSURANCE

We purchase insurances to cover losses arising from our business operation, including employer related insurances, logistics insurances and property insurance for our headquarters in Shenzhen.

Our Directors believe our insurance coverage is adequate for our operations and in line with the industry norm. During the Track Record Period and up to the Latest Practicable Date, we have not made any material claims nor experienced any claim from third parties under any of our insurance policies that would have a material impact on our business, financial conditions or results of operations. For details, please refer to the paragraphs headed “Our insurance may be insufficient to cover all losses associated with our business operations” and “Product liability and product recall may adversely affect our Group’s results or operations” under the section headed “Risk factors” of this prospectus.

### XVI. AWARDS AND ACCREDITATION

During the Track Record Period, we obtained awards from our customers who recognise our contribution towards their success. These awards reaffirm our business strategies and serve as a motivation to our employees. Details of which are set forth below:

<b>Year award was granted</b>	<b>Award</b>	<b>Granted by</b>
2016	Supplier of the year	Customer F
2017	Vendor award	“Stitch Fix”

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### XVII. PROPERTIES

As at the Latest Practicable Date, we leased three properties in China with a total floor area of approximately 3,582.8 sq.m. and one property in Hong Kong with a total floor area of approximately 53.2 sq.m. as our offices respectively, and one property in Hong Kong as director's quarter.

All the leased properties were leased from Independent Third Parties, except leased property #5, which we leased from Calman Limited, a connected person of our Company as defined under Chapter 14A of the Listing Rules. Such lease was entered into based on the prevailing market rate, details of which are set forth under the section headed "Connected transactions" of this prospectus.

#	Address	Lessor	Use of the property	Tenure
1	1/F, TinWe Business Park 2, 6 Liu Fang Road, Bao'an District, Shenzhen, China	Shenzhen Yikai Technology Co., Ltd.	Office	From 20 September 2015 to 19 September 2020
2	Zone A and F, 3/F, TinWe Business Park 2, 6 Liu Fang Road, Bao'an District, Shenzhen, China	Shenzhen Yikai Technology Co., Ltd.	Office	From 10 May 2016 to 19 September 2020
3	Zone D and E, 2/F, TinWe Business Park 2, 6 Liu Fang Road, Bao'an District, Shenzhen, China	Shenzhen Yikai Technology Co., Ltd.	Office	From 1 July 2019 to 30 June 2024
4	137 InnoCentre, 72 Tat Chee Avenue, Kowloon Tong, Hong Kong	Hong Kong Science and Technology Parts Corporation	Office	From 24 January 2018 to 23 January 2021
5	Flat 2A, 24, Tung Shan Terrace	Calman Limited	Director's quarter	From 1 June 2019 to 31 May 2020

## **XVIII. INTELLECTUAL PROPERTIES**

As at the Latest Practicable Date, we had (i) four and three trademarks registered in Hong Kong and the PRC respectively; and (ii) three patents registered in the PRC. Our Group currently owns the domain name *www.leverstyle.com*. For details of our material intellectual property rights, please refer to the paragraph headed “8. Material intellectual property rights of our Group” set out in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not aware of any material infringements (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us and we were not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the material infringement of any intellectual property rights of third parties. For details, please refer to the paragraph headed “Failure to protect the intellectual property rights and brands of our customers could harm our business” under the section headed “Risk factors” of this prospectus.

## **XIX. LITIGATION**

During the Track Record Period and up to the Latest Practicable Date, there was no litigation, arbitration or administrative proceedings pending or threatened against our Company or any of our Directors which could have a material and adverse effect on our financial conditions or results of operations.

## **XX. COMPLIANCE MATTERS**

Our industry is not heavily regulated in the PRC and Hong Kong. Our PRC and Hong Kong legal advisers have confirmed that during the Track Record Period and up to the Latest Practicable Date, we have complied with all applicable PRC and Hong Kong laws, rules and regulations, and have obtained all licenses, permits and approvals for our operations in the PRC and Hong Kong in all material respects.

## **XXI. RISK MANAGEMENT AND INTERNAL CONTROL**

Our Group engaged an independent internal control adviser to perform a review on our overall internal control procedures including financial reporting, operations, compliance and risk management. During the review, the internal control adviser recommended remedial actions in relation to weaknesses or deficiencies identified during the review process. The independent internal control adviser performed a follow-up review after we had adopted their suggested measures, and they confirmed that they did not notice any material deficiency in our Group’s internal control system.

In addition, we have various internal guidelines, written policies and procedures to monitor and alleviate the risks arising from our daily operations. Our Directors and management closely monitor the implementation and assess the effectiveness of these guidelines and measures which are crucial to our business sustainability. The following sets out the key measures adopted by our Group under our risk management and internal control systems.



**Operation risk management**

To address risks arising from our daily operations, we implement stringent quality control measures as elaborated in the paragraph headed “VI. Quality control” under this section. In addition, we maintain good relationship with our contract manufacturers by offering them our forecasted purchase orders as well as setting up regular meetings to update them the recent market trends and customer feedback. These measures allow us to retain high-quality contract manufacturers.

**Liquidity risk management**

As at 31 December 2016, 2017, 2018 and 30 April 2019, our trade and bills receivables together with trade receivables at fair value through other comprehensive income were approximately US\$17.8 million, US\$14.1 million, US\$14.6 million and US\$9.5 million, representing approximately 42.6%, 36.2%, 35.2% and 23.5% of our current assets respectively, with debtors’ turnover days of approximately 57.4 days, 57.8 days, 45.2 days and 39.3 days respectively. During the Track Record Period, we did not write off nor recorded any bad debt in respect of our trade and bills receivables, and our Directors consider there is no material difficulty in collecting our trade and bills receivables. To mitigate the associated credit risks and liquidity risks arising from our daily operations, we have the practice of factoring certain trade receivables to financial institutions before the receivables are due for repayment. In case of default, the factoring amount will be covered by insurance with the relevant banks. During the Track Record Period, our Group factored approximately US\$39.3 million, US\$43.1 million, US\$78.5 million and US\$24.4 million, representing approximately 39.1%, 42.8%, 67.7% and 65.6% of our revenue for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 respectively, to financial institutions on a non-recourse basis, which means our Group has transferred substantially all the risks and rewards of ownership of the trade receivables to financial institutions upon the factoring. Please refer to note 17 of the Accountants’ Report contained in Appendix I to this prospectus for further details. In addition, our finance department prepares cash flow forecast for one week ahead and replenishes our cash position through trade lines if our Group falls short of adequate working capital.

**Foreign exchange risk management**

Our Group has foreign currency denominated monetary assets and monetary liabilities which expose our Group to foreign currency risk. Our Group adopts natural hedging policy whereby our management and finance team closely monitor the net exposure to foreign currency risk on a weekly basis. Our finance department prepares a report containing cash movement, cash position and estimated expenses for HK\$ and RMB and circulates it to our management for consideration so that the net foreign currency exposure can be kept at an acceptable level.

### **Transfer pricing risk management**

Our Group has key operating subsidiaries in Hong Kong and the PRC. During the Track Record Period, the cross-border intra-group transactions of our Group mainly included rendering of operation support services including supply chain management and back-office services, and sales of finished products and raw materials between our PRC subsidiaries and Hong Kong subsidiaries.

Our Group has adopted measures in order to preclude the potential transfer pricing risks resulting from the above intra-group transactions which, among others, include (i) engaging an independent tax specialist to conduct annual assessments on our transfer pricing policy and suggest the appropriate profit percentage charged by our Group's PRC subsidiaries or Hong Kong subsidiaries for the intra-group transactions; and (ii) reviewing and implementing the independent tax specialist's suggestion on pricing by management of our Group.

SHINEWING Risk Services Limited (“**SHINEWING Risk**”), which is the internal control consultant of our Group, has reviewed our Group's internal control system on transfer pricing and we have implemented the improvement measures mentioned in the above paragraph recommended by SHINEWING Risk. SHINEWING Risk has completed the follow-up procedures on our internal control system and is of the view that the relevant policies and procedures in relation to transfer pricing had been adopted.

The transfer pricing consultant of our Group, which is an international accounting firm, has reviewed the material intra-group transactions between our Group's Hong Kong incorporated entities and PRC established entities for each of the financial year during the Track Record Period in accordance with the OECD Transfer Pricing Guidelines for Multinational Enterprise and Tax Administration and the applicable transfer pricing regulations in the PRC. For details of the view of the transfer pricing consultant on such intra-group transactions, please refer to the paragraph headed “Transfer pricing” under the section headed “Regulatory overview” of this prospectus. Based on such review, our Directors are of the view that such intra-group transactions do not contravene the “arm's length principle”.

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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS

Our Board comprises seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets out certain information relating to our Directors:

Name	Age	Current position in our Group	Date of joining our Group	Date of appointment as Director	Key roles and responsibilities	Relationship with other Directors and senior management
<b>Executive Directors</b>						
Mr. SZETO Chi Yan Stanley (司徒志仁先生)	45	Executive Director/ Chairman	May 2000	27 February 2019 (redesignated as executive Director on 13 March 2019)	Corporate strategic planning, overall business development, management of our Group	Nil
Dr. CHAN Yuk Mau Eddie (陳育懋博士)	61	Executive Director/ chief executive officer	May 1988 (rejoined in January 2015)	27 February 2019 (redesignated as executive Director on 13 March 2019)	Overall operation, strategic planning and overall business management of our Group	Nil
Mr. LEE Yiu Ming (李耀明先生)	55	Executive Director/ chief financial officer	January 2015	27 February 2019 (redesignated as executive Director on 13 March 2019)	Financial planning and corporate management of our Group	Nil
<b>Non-executive Director</b>						
Mr. KIM William Pak	47	Non-executive Director	March 2019	13 March 2019	Participation in the formulation of corporate business strategies	Nil
<b>Independent non-executive Directors</b>						
Mr. SEE Tak Wah (施德華先生)	55	Independent non-executive Director	12 October 2019	12 October 2019	Providing independent advice to our Board	Nil

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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Current position in our Group	Date of joining our Group	Date of appointment as Director	Key roles and responsibilities	Relationship with other Directors and senior management
Mr. AUYANG Pak Hong Bernard (歐陽伯康先生)	51	Independent non-executive Director	12 October 2019	12 October 2019	Providing independent advice to our Board	Nil
Mr. LEE Shing Tung Tommy (李承東先生)	52	Independent non-executive Director	12 October 2019	12 October 2019	Providing independent advice to our Board	Nil

The following table sets out certain information about the senior management of our Company.

Name	Age	Current position in our Group	Date of joining our Group	Key roles and responsibilities
Mr. NG To Chi Eric (吳多智先生) <sup>(Note)</sup>	41	Vice president (Operations)	July 2018	Areas related to our Group's operations

*Note:* The business address of Mr. Ng To Chi Eric is the principal place of business of the Group in Hong Kong.

### Executive Directors

**Mr. SZETO Chi Yan Stanley** (司徒志仁先生), aged 45, is the Chairman of our Group. He was appointed as an executive Director of our Company on 13 March 2019. Mr. Szeto is primarily responsible for the corporate strategic planning, overall business development and management of our Group.

Mr. Szeto has over 18 years of experience in the garment industry since he joined Lever Shirt in May 2000 as chairman and chief executive officer. Prior to joining our Group in 2000, Mr. Szeto worked at JP Morgan's (now known as JP Morgan Chase and Co.) Global Investment Banking Department from August 1996 to July 1998 and then worked at Prudential Asset Management Asia Limited from 1998 to 2000. Mr. Szeto was the chief executive officer of our Group from May 2000 to December 2016 and he has been the Chairman of our Group since May 2000.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Szeto graduated magna cum laude from the Wharton School of Finance and Commerce at the University of Pennsylvania, U.S., with a Bachelor of Science in Economics degree in Finance with majors in Finance, Entrepreneurial Management, and an Individualised Concentration in the topic area of Legal Studies in May 1996.

Mr. Szeto currently serves as a west coast board member of the Baker Retailing Center, an interdisciplinary research center and innovation think tank at the Wharton School of University of Pennsylvania, U.S.. Mr. Szeto is currently a member of the Small and Medium Enterprises Committee of the Hong Kong Government's Trade and Industry Department. He is also the vice-chairman of the Hong Kong Garment Manufacturers Association, a director of the Federation of Hong Kong Garment Manufacturers and a director of the Hong Kong Shippers' Council. Mr. Szeto was a past member of the Hong Kong Government's Textiles Advisory Board and the Hong Kong Polytechnic University's Advisory Committee on Textile and Clothing Industries from April 2014 to March 2015 and November 2015 to October 2017 respectively.

Mr. Szeto is currently the chairman of Hong Kong Textile Council, and represented the Textiles and Garment sector as an Election Committee member to select the Chief Executive of Hong Kong in 2017.

Mr. Szeto was the recipient of the Industrial Products Category Winner of the EY (Ernst & Young) Entrepreneur of the Year China 2018 award. He also received the 2009 Young Industrialist Award of Hong Kong from the Federation of Hong Kong Industries.

Mr. Szeto was a director, legal representative and/or general manager of the following companies at the time of or within 12 months prior to their dissolution:

Name of company	Place of incorporation/ establishment	Principal business activity(ies) before dissolution	Position	Means of dissolution	Dissolution approval date
利華成衣(惠州)有限公司 (Lihua Garment (Huizhou) Limited)	PRC	Garment design and manufacturing	Legal representative and chairman	Dissolved by deregistration	20 November 2015
利誠成衣(深圳)有限公司 (Huacheng Shirt (Shenzhen) Co. Limited)	PRC	Garment manufacturing	Legal representative, director and general manager	Dissolved by deregistration	26 June 2013

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Szeto has confirmed that each of the above companies was solvent at the time of their respective dissolution and so far as he is aware no claim has been or will be made against him as a result of such dissolution.

Mr. Szeto was an independent non-executive director of Kiddieland International Limited (stock code: 3830), a company listed on the Main Board of the Stock Exchange, from 31 August 2017 to 19 July 2018. Save as disclosed above, Mr. Szeto has not been a director of any public companies listed on any securities market in Hong Kong or overseas for the three years immediately preceding the date of this prospectus. As at the Latest Practicable Date, Mr. Szeto is interested in approximately 63.68% interests of our Company, and is one of our Controlling Shareholders.

**Dr. CHAN Yuk Mau Eddie** (陳育懋博士), aged 61, was appointed as an executive Director of our Company on 13 March 2019. He is also a member of the remuneration committee. Dr. Chan was appointed as the chief operation officer and president in January 2015 and as the chief executive officer of our Group in January 2017 respectively and is responsible for the overall operation, strategic planning and overall business management of our Group.

Dr. Chan has over 35 years of experience in the textiles and apparel industry. Prior to re-joining our Group in January 2015, Dr. Chan was appointed as director (Technical Development Centre) and later as director (Operations Management Office), sales director (Apparel Division) and group director (Operational Excellence) of Esquel Group from January 2004 to September 2014, a vertically integrated textile and apparel manufacturing company with its headquarters in Hong Kong. From May 1988 to December 2003, Dr. Chan worked as marketing manager and later as assistant general manager, general manager and finally as the chief operation officer & director of Lever Shirt, a wholly-owned subsidiary of our Group. From November 1987 to April 1988, Dr. Chan was a senior merchandiser at Mast Industries (Far East) Limited, an apparel trading company in Hong Kong. From August 1983 to August 1986, Dr. Chan worked as a merchandiser at Laws Fashion Knitters Limited, a knitted garment manufacturer and distributor in Hong Kong. From February to August 1983, Dr. Chan worked as a quality controller at Index Fashion Company Limited, a fashion company incorporated in Hong Kong. From November 1982 to January 1983, Dr. Chan worked as a quality controller at Textile Alliance Limited, a garment manufacturer in Hong Kong.

Dr. Chan graduated with a Diploma in Woven Fabric Manufacture and a Higher Diploma in Textile Technology from the Hong Kong Polytechnic University in November 1982 and November 1986 respectively. Dr. Chan later obtained a Master of Commerce in Marketing from the University of Strathclyde in the United Kingdom in November 1987 and a Doctor of Business Administration from the Hong Kong Polytechnic University in November 2003. Dr. Chan then obtained a Bachelor of Business in Accountancy from the Royal Melbourne Institute of Technology University in Australia in September 2007 (a distant learning course) and a Master of Science in Financial Analysis from the Hong Kong University of Science and Technology in November 2009.

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## DIRECTORS AND SENIOR MANAGEMENT

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Dr. Chan was admitted as a member of the Hong Kong Institution of Textile and Apparel in October 2003, a chartered member of the Textile Institute of the United Kingdom in June 2004 and a member of the Hong Kong Institute of Marketing in November 2004. Dr. Chan had been the chairman of the Hong Kong Institution of Textile and Apparel since 2017 and has recently stepped down in July 2019.

Dr. Chan was a director of the following company at the time of or within 12 months prior to their dissolution:

Name of Company	Place of Incorporation/ establishment	Principal business activity(ies) before dissolution	Position	Means of dissolution	Dissolution approval date
La Volee Limited (蝶緻有限公司)	Hong Kong	Investment holding	Director	Dissolved by deregistration	16 November 2001

Dr. Chan has confirmed that the above company was solvent at the time of their respective dissolution and so far as he is aware no claim has been or will be made against him as a result of such dissolution. As at the Latest Practicable Date, Dr. Chan is interested in approximately 5.0% interests of our Company.

Save as disclosed above, Dr. Chan has not been a director of any public companies listed on any securities market in Hong Kong or overseas for three years immediately preceding the date of this prospectus.

**Mr. LEE Yiu Ming (李耀明先生)**, aged 55, was appointed as an executive Director of our Company on 13 March 2019. Mr. Lee was appointed as the chief financial officer of our Group in January 2015 and is primarily responsible for the financial planning and corporate management of our Group.

Mr. Lee has over 15 years of experience in the manufacturing industry with expertise in financial management. From 1996 to 2014, Mr. Lee was under the employment of Pegasus International Holdings Limited (stock code: 676), a company listed on the Main Board of the Stock Exchange where he had worked in several managerial, compliance financial positions including company secretary and chief financial officer. Mr. Lee remains to be the company secretary of Pegasus International Holdings Limited to date. From July 1988 to May 1996, Mr. Lee was an audit manager at Deloitte Touche Tohmatsu, a provider of audit and tax services.

Mr. Lee graduated from the Hong Kong Polytechnic University with a Higher Diploma in Textile Technology in November 1986. Later, he graduated from the Queen's University of Belfast in the United Kingdom with a Masters of Business Administration degree in December 1987.



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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Lee has been an associate member of the Hong Kong Institute of Certified Public Accountants since October 1991. Mr. Lee has also been an associate member and fellow member of the Association of Chartered Certified Accountants since January 1992 and January 1997 respectively. Mr. Lee has been an associate member of the Institute of Chartered Accountants in England & Wales since February 2008 and a certified public accountant (practising) of the Hong Kong Institute of Certified Public Accountants since January 1998.

Mr. Lee was a director of the following companies and entities at the time of or within 12 months prior to their dissolution:

Name of Company	Place of Incorporation/ establishment	Principal business activity(ies) before dissolution	Position	Means of dissolution	Dissolution approval date
C.P.L. International (H.K.) Company Limited	Hong Kong	Investment holding	Director	Dissolved by deregistration	10 March 2017
Home Allied Development Limited (港盟發展有限公司)	Hong Kong	Trading and investment	Director	Dissolved by deregistration	21 March 2014

Mr. Lee has confirmed that each of the above companies was solvent at the time of their respective dissolution and so far as he is aware no claim has been or will be made against him as a result of such dissolution. As at the Latest Practicable Date, Mr. Lee is interested in approximately 3.0% interests of our Company.

Save as disclosed above, Mr. Lee has not been a director of any public companies listed on any securities market in Hong Kong or overseas for three years immediately preceding the date of this prospectus.

### Non-executive Director

**Mr. KIM William Pak** (“**Mr. Kim**”), aged 47, was appointed as a non-executive Director of our Company on 13 March 2019. Mr. Kim participates in the formulation of corporate business strategies of our Group.

Mr. Kim has extensive managerial experience in the fashion industry. He was a part of the senior management of Burberry Group Plc from 2010 to 2012, holding managerial positions including senior vice president for digital commerce and senior vice president – retail, Americas. Mr. Kim was appointed as the chief executive officer of All Saints Retail Ltd in October 2012 until September 2018.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Kim graduated with a Bachelor of Science degree in business from the University of Colorado, U.S., in December 1994.

Mr. Kim has not been a director of any public companies listed on any securities market in Hong Kong or overseas for three years immediately preceding the date of this prospectus.

As at the Latest Practicable Date, Mr. Kim had an interest in less than 5.0% in Customer F, one of the five largest customers of our Group (in terms of revenue contribution) during the Track Record Period.

### **Independent non-executive Directors**

**Mr. SEE Tak Wah (施德華先生)** (“Mr. See”), aged 55, joined our Company as an independent non-executive Director on 12 October 2019. His appointment as the chairman of the audit committee and a member of each of the nomination committee and remuneration committee of our Company will take effect on the Listing Date.

Mr. See has over 27 years of experience in financial and general management. Mr. See worked at Mobil Oil Hong Kong Limited from July 1990 to June 1992 in which he held the positions of MIS Accountant, System/MIS Accountant and Accountant Operations. He later worked as the regional business controller of Nokia Mobile Phones (HK) Ltd in July 1992 and was promoted to the managing director in October 1995 until he left in December 1997. From January 1998 to March 1999, Mr. See was the general manager of Philips. He later joined Siemens as the general manager, North Asia in March 1999 until he joined First Mobil Group Holdings Limited as its chief operating officer in October 2000. Mr. See currently runs his own boutique management consultancy practice focusing on business strategy formulation and transformation consultation.

Mr. See graduated from the Management School of Waikato University in New Zealand with first class honours in Bachelor of Management Studies in April 1988. He has been a member of the Institute of Chartered Accountants of New Zealand since May 1990, a member of the Hong Kong Institute of Certified Public Accountants since January 1991 and a fellow member of the Hong Kong Institute of Directors since February 2006.

Mr. See is currently an independent non-executive director and chairman of audit committee of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1938) and an independent non-executive director and chairman of the audit committee and a member of the remuneration committee, the nomination committee and the internal control committee of Tesson Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1201). Mr. See was an independent non-executive director of Unisplendour Technology (Holdings) Limited (formerly known as Sun East Technology (Holdings) Limited) from 2004 to 2016, a company listed on the Main Board of the Stock Exchange (stock code: 365).

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. See was a director of the following companies and entities at the time of or within 12 months prior to their dissolution:

Name of Company	Place of Incorporation/ establishment	Principal business activity(ies) before dissolution	Position	Means of dissolution	Dissolution approval date
Fineboard Limited (輝邦興業有限公司)	Hong Kong	Investment holding	Director	Dissolved by deregistration	3 November 2000
Gostar Investments Limited (佳俊投資有限公司)	Hong Kong	Investment holding	Director	Dissolved by deregistration	6 March 2015
Immunotherapy Research Institute Limited (免疫治療研究有限公司)	Hong Kong	Research	Director	Dissolved by deregistration	12 November 2004

Mr. See has confirmed that each of the above companies was solvent at the time of their respective dissolution and so far as he is aware no claim has been or will be made against him as a result of such dissolution.

Save as disclosed above, Mr. See is not or has not been a director of any public companies listed on any securities market in Hong Kong or overseas for three years immediately preceding the date of this prospectus.

**Mr. AUYANG Pak Hong Bernard** (歐陽伯康先生) (“**Mr. Auyang**”), aged 51, was appointed as our independent non-executive Director on 12 October 2019. His appointment as the chairman of the remuneration committee and member of the audit committee and a member of the nomination committee of our Company will take effect on the Listing Date.

Mr. Auyang has over 28 years of experience in general management and the corporate industry. Mr. Auyang has worked at Computime Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 320), providing smart solutions and contract manufacturing services, from 1991 to 2009 in which he was appointed as the chief executive officer and the executive director since the listing of Computime Group Limited until November 2009. He has also been the chairman of Vida Nova Ventures, a Hong Kong based investment firm since 2009 and the chief executive officer of Altis Zenus Group, a brand and technology company focusing on innovative communication and outdoor products since 2016. Mr. Auyang is also currently an outside director, the chairman of the nomination committee and the compensation committee of Sumida Corporation, a company listed on the Tokyo Stock Exchange, First Session (stock code: 6817).

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Auyang was a recipient of the Young Industrialist Awards of Hong Kong in 1999 and was named the Hong Kong Young Industrial Ambassador in 2002. He is also currently the chairman of the Hong Kong-America Center, council member of St. Paul's Co-educational College, member of the advisory board of the Institute of Chinese Studies of the Chinese University of Hong Kong and court member of the Hong Kong University of Science and Technology. Mr. Auyang was also the past international chairman of the Young Presidents' Organization, a global network of young chief executives, for the year 2014 to 2015.

Mr. Auyang obtained a degree of Bachelor of Arts magna cum laude in East Asian Studies and Economics from Harvard University, the U.S., in 1991.

Mr. Auyang was a director/supervisor of the following companies and entities at the time of or within 12 months prior to their dissolution:

Name of Company	Place of Incorporation/ establishment	Principal business activity(ies) before dissolution	Position	Means of dissolution	Dissolution approval date
Shengbaitong Electronics (Shenzhen) Co Ltd* (盛柏通電子(深圳)有限公司)	PRC	Electronic manufacturing	Director	Dissolved by deregistration	21 September 2011
Hangzhou Chupin Advertising Co Ltd* (杭州觸頻廣告有限公司)	PRC	Advertising	Supervisor	Dissolved by deregistration	16 May 2013
Guangzhou Chuxiang Advertising Co Ltd* (廣州觸享廣告有限公司)	PRC	Advertising	Director	Dissolved by deregistration	19 December 2013
Startvision Limited	Hong Kong	Technology development	Director	Dissolved by voluntary winding up by creditors	20 April 2003
Startvision Networks Limited	Hong Kong	Technology development	Director	Dissolved by voluntary winding up by creditors	18 July 2002
Activevalue Ventures Limited	Hong Kong	Investment holding	Director	Dissolved by deregistration	1 September 2017

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Auyang has confirmed that each of the above companies was solvent at the time of their respective dissolution and so far as he is aware no claim has been or will be made against him as a result of such dissolution.

Save as disclosed above, Mr. Auyang is not or has not been a director of any public companies listed on any securities market in Hong Kong or overseas for three years immediately preceding the date of this prospectus.

**Mr. LEE Shing Tung Tommy** (李承東先生) (“**Mr Tommy Lee**”), aged 52, was appointed as our independent non-executive Director on 12 October 2019. His appointment as the chairman of the nomination committee and a member of the audit committee will take effect on the Listing Date.

Mr. Tommy Lee has over 25 years of experience in the manufacturing industry. He founded Multizen Asia Limited in 1993 which is now one of the leading B2B confectionery manufacturing companies in the APAC region, and has since been its president and chief executive officer.

Mr. Tommy Lee has also devoted his time in helping disadvantaged and underprivileged children in the PRC since the early 1990s. In recognition of his pro bono work, Mr. Tommy Lee was awarded the Economic Outstanding Contribution Award (南通市開放型經濟發展傑出貢獻獎) in September 2010. Mr. Tommy Lee is also currently a council member of the Asian Council of The Lawrenceville School in the U.S.. Mr. Tommy Lee also set up the Multizen Foundation (承善基金) in August 2010 for granting funds for the purpose of education in Nantong City, the PRC.

Mr. Tommy Lee obtained a Bachelor of Science degree from Cornell University, the U.S., in May 1989 and subsequently a Master of Science degree from Stanford University, the U.S., in June 1990.

Mr. Tommy Lee was a director/legal representative/chairman/vice-chairman/responsible person of the following companies and entities at the time of or within 12 months prior to their dissolution:

Name of Company	Place of Incorporation/ establishment	Principal business activity(ies) before dissolution	Position	Means of dissolution	Dissolution approval date
MWL Food (HK) Co Limited	Hong Kong	Food production	Director	Dissolved by deregistration	9 December 2005
The Lawrenceville School Hong Kong Foundation Limited (勞倫斯威爾中學香港基金有限公司)	Hong Kong	Investment holding	Director	Dissolved by deregistration	22 June 2018

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## DIRECTORS AND SENIOR MANAGEMENT

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Name of Company	Place of Incorporation/ establishment	Principal business activity(ies) before dissolution	Position	Means of dissolution	Dissolution approval date
Multizen Industry Trading (Shanghai) Limited* (善龍食品貿易(上海)有限公司)	PRC	Food production/ trading	Legal representative and chairman	Dissolved by deregistration	23 March 2015
Multizen Industry (Shenzhen) Limited* (善龍實業(深圳)有限公司)	PRC	Food production	Legal representative and chairman	Dissolved by deregistration	2 December 2010
Shanghai MultizenWeili Industry Co Ltd* (上海善龍威利食品有限公司)	PRC	Food production	Vice chairman	Dissolved by deregistration	13 December 2006
Multizen Industry (Shenzhen) Limited Shanghai Office* (善龍實業(深圳)有限公司上海辦事處)	PRC	Trading	Responsible person	Dissolved by deregistration	26 July 2004

Mr. Tommy Lee has confirmed that each of the above companies was solvent at the time of their respective dissolution and so far as he is aware no claim has been or will be made against him as a result of such dissolution.

Save as disclosed above, Mr. Tommy Lee is not and has not been a director of any public companies listed on any securities market in Hong Kong or overseas for three years immediately preceding the date of this prospectus.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect of the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no other information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

### SENIOR MANAGEMENT

The senior management is responsible for the day-to-day management and the implementation and operation of the business of our Group.

**Mr. NG To Chi Eric** (吳多智先生) (“Mr. Ng”), aged 41, joined our group in July 2018 as the vice president (Operations). He is primarily responsible for the operational aspects including quality assurance, liaising with contract manufacturers and overlooking the corporate social responsibility of our Group.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Ng has approximately 15 years of experience in operational management. Prior to joining our Group, Mr. Ng was a general manager (Cambodia) of Clover Group International Limited from May 2015 to July 2018. From September 2009 to February 2011, Mr. Ng was a sample production manager of Dongguan Hongyu Garment Co. Limited, an apparel company incorporated in Dongguan. From March 2011 to December 2013, Mr. Ng was the general manager of TDTM (Ten Day Ten Month) Limited (now re-named as Spray Co. Limited), a trading company for ladies fashion in Hong Kong. From December 2013 to May 2015, Mr. Ng was PPC/MER manager (Cambodia) at Crystal Group – Perfect Growth Limited (Cambodia), an apparel company in Hong Kong. From July 2002 to September 2009, Mr. Ng was employed as management trainee and later as manager of garment outsourcing (Guangdong) at Esquel Group, a textile manufacturing company.

Mr. Ng obtained a Bachelor of Science in Industrial Engineering and Engineering Management from the City University of Hong Kong in November 2002.

Save as disclosed above, none of our senior management currently holds, or in the past three years preceding the date of this prospectus has held, any other directorships in any public companies the securities of which are listed on any securities markets in Hong Kong or overseas.

### COMPANY SECRETARY

Mr. Lee was appointed as our company secretary on 13 March 2019. Details of his qualifications and experience are set out in the paragraph headed “Executive Directors” under this section above.

### BOARD DIVERSITY

We recognise and embrace the benefits of having a diverse Board to capture different talents so as to further bolster our Board’s performance. This would also enable us in achieving a sustainable and balanced development in the long run. Our Board has adopted a board diversity policy which sets out the approach to achieve and maintain its diversity. The board diversity policy provides that the selection of Board candidates should be based on a range of diversity considerations, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service.

We have implemented measures and steps to promote and enhance gender diversity at all levels of our Company. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into account our board diversity policy and other factors, including but not limited to, his/her integration into our management mindset and business model and any specific requirements from time to time.



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## DIRECTORS AND SENIOR MANAGEMENT

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After Listing, the nomination committee of our Board will review the board diversity policy and its implementation from time to time to ensure its implementation and monitor its continued effectiveness, and the same will be disclosed in our corporate governance report in accordance with the Listing Rules after Listing.

Our Board and the nomination committee shall, on a best-effort basis, consider to appoint female candidates as the directors to the Board while taking into account the factors stated in the above paragraph. The aim of our Board and the nomination committee is to appoint two female directors by the end of 2022 to achieve gender diversity. Our Board and nomination committee will also consider any director who has indicated his or her willingness to stand for re-election and any other person who is recommended by any Shareholders. Our Board and nomination committee may also undertake its own search process for candidates as well as considering in engaging head hunters or recruitment agents to find suitable candidates for our Board.

The nomination committee shall endeavor to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of all Shareholders. Potential candidates will be selected for their ability to exercise good judgement, to provide the commitment to enhancing shareholder value, practical insights and diverse perspectives. Candidates will also be assessed in the context of the then-current composition of the board, the operating requirement of our Company and the long-term interests of all Shareholders.

In conducting this assessment, the nomination committee will, in connection with its assessment and recommendation of director candidates, consider diversity and such other factors as it deems appropriate given the then-current and anticipated future needs of our Board and our Company, and to maintain a balance of perspective, qualifications, qualities and skills on our Board. The above diversity perspectives, taking into account our Company's business model and needs, are set out in the diversity policy.

Our Board, through the nomination committee, is responsible for ensuring that there is effective and orderly succession planning for our Group. Our Board has a structured process to identify key positions to be filled and potential successors for the positions. Our Board has been implementing various frameworks for candidates within our Group as preparation for internal pipeline of talents to assume operational positions in our Group. In particular, our Board has been implementing the "buddy system" within our Group, where identified junior members meet senior members or key management members of our Group regularly, both formally and informally, to ensure the junior members could acquire the relevant knowledge and skills.

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## **DIRECTORS AND SENIOR MANAGEMENT**

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### **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Upon Listing, our Directors consider that our Company will be able to fully comply with the applicable code provisions as set out in the Corporate Governance Code under Appendix 14 to the Listing Rules. Our Directors will also comply with the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code for each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports after Listing.

### **BOARD COMMITTEES**

Our Company has established three committees under our Board pursuant to the corporate governance practice requirements under the Listing Rules, comprising the audit committee, remuneration committee and nomination committee.

#### **Audit Committee**

The audit committee has been established by our Board with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraphs C3 and D3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of our Company, oversee the audit process (including the appointment, re-appointment and replacement of external auditors and the fixing of their remuneration), provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board.

The audit committee consists of three members, all of whom are independent non-executive Directors, namely Mr. See Tak Wah, Mr. Auyang Pak Hong Bernard and Mr. Lee Shing Tung Tommy. The chairman of the audit committee is Mr. See Tak Wah, who is an independent non-executive Director with appropriate accounting and finance experience pursuant to Rule 3.21 of the Listing Rules.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Remuneration Committee

The remuneration committee has been established by our Board with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to establish, review and make recommendations to our Directors on our Company's policy and structure concerning remuneration of our Directors and senior management, on the diversity policy of our Board and senior management, on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

The remuneration committee consists of three members, namely Mr. See Tak Wah, Mr. Auyang Pak Hong Bernard and Dr. Chan. The chairman of the remuneration committee is Mr. Auyang Pak Hong Bernard.

### Nomination Committee

The nomination committee has been established by our Board with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition of our Board; assess the independence of the independent non-executive Directors and make recommendations to our Board on the appointment and re-appointment of Directors and succession planning for Directors.

The nomination committee consists of three members, namely Mr. See Tak Wah, Mr. Auyang Pak Hong Bernard and Mr. Lee Shing Tung Tommy. The chairman of the nomination committee is Mr. Lee Shing Tung Tommy.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of the senior management receive compensation from our Company in the form of salaries and allowances, bonuses and other benefits in kind such as contributions to pension plans.

For each of the financial years ended 31 December 2016, 2017, 2018 and four months ended 30 April 2019, the aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to the then Directors was approximately US\$1,294,031, US\$1,103,278, US\$1,589,807 and US\$299,828 respectively. Save as disclosed above, no other emoluments have been paid or are payable, in respect of each of the financial years ended 31 December 2016, 2017, 2018 and four months ended 30 April 2019 by our Company.

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## DIRECTORS AND SENIOR MANAGEMENT

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The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Company's five highest paid individuals for each of the financial years ended 31 December 2016, 2017, 2018 and four months ended 30 April 2019 was approximately US\$1,572,496, US\$1,385,603, US\$1,899,851 and US\$403,340 respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by our Company to, or receivable by, our Directors, our former Directors or the five highest paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

None of our Directors waived or agreed to waive any remuneration during the Track Record Period.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, upon and following the Listing, receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Company.

Save as disclosed in this prospectus, no other payments had been made, or are payable, by any member of our Company to our Directors or the five highest paid individuals during the Track Record Period. Under the arrangements currently in force, the aggregate annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) of our Directors for the year ending 31 December 2019 is estimated to be approximately US\$902,000.

For additional information on the remuneration of our Directors during the Track Record Period as well as information on the five highest paid individuals, please refer to Notes 12 and 13 of the Accountants' Report contained in Appendix I to this prospectus.

### **THE SHARE OPTION SCHEME**

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in Appendix IV to this prospectus.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISER

In compliance with Rule 3A.19 of the Listing Rules, we have appointed Altus as our compliance adviser to provide advisory services to our Company. Pursuant to Rule 3A.23 of the Listing Rules, it is expected that the compliance adviser will, amongst other things, advise our Company with due care and skill on the following circumstances:

- (i) before the publication of any regulatory announcements, circulars or financial reports under any applicable laws, rules, codes and guidelines;
- (ii) where a transaction, which might be discloseable or being a notifiable or connected transaction under Chapters 13, 14 and/or 14A of the Listing Rules, is contemplated including shares issues and share repurchases;
- (iii) where we propose to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of our Shares or other issues under Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, the compliance adviser will, when consulted by us in the circumstances set out above, provide the following services:

- (i) ensure our Company is properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines;
- (ii) upon receiving reasonable prior notice from our Company, accompany our Company to any meetings with the Stock Exchange that our Company is asked to attend, unless otherwise requested by the Stock Exchange;
- (iii) no less frequently than at the time of reviewing the financial reporting of our Company under Rule 3A.23(1) of the Listing Rules and upon our Company notifying the compliance adviser of a proposed change in the use of proceeds of its initial public offering and/or placing under Rule 3A.23(3) of the Listing Rules, discuss the following (as appropriate) with our Company:
  - (a) our Company's operating performance and financial condition by reference to our Company's business objectives and use of issue proceeds as stated in the prospectus;
  - (b) compliance with the terms and conditions of any waivers granted by the Stock Exchange under the Listing Rules;

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## DIRECTORS AND SENIOR MANAGEMENT

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- (c) compliance with any undertakings provided by our Company and its Directors at the time of listing, and in the event of non-compliance, discuss the issue with our Board and make recommendations to our Board regarding appropriate remedial steps;
- (iv) if required by the Stock Exchange, deal with the Stock Exchange in respect of any or all matters listed in Rule 3A.23 of the Listing Rules;
- (v) in relation to any application by our Company for a waiver from any of the requirements in Chapter 14A of the Listing Rules, advise our Company on its obligations and in particular the requirement to appoint an independent financial adviser;
- (vi) assess the understanding of all new appointees to our Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and to the extent the compliance adviser forms an opinion that the new appointees' understanding is inadequate, discuss the inadequacies with our Board and make recommendations to our Board regarding appropriate remedial steps such as training; and
- (vii) discharge such duties and functions as may be required to be performed by the compliance adviser under Chapter 3A of the Listing Rules from time to time.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

### **RULE 8.10 OF THE LISTING RULES**

Our Directors confirm that they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

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## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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### **OUR CONTROLLING SHAREHOLDERS**

Immediately after completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme), 47.76% of the issued share capital of our Company will be owned by Lever Style Holdings, which in turn is owned as to 14% and 86% by Ms. Fong Tong and Imaginative Company Limited (a wholly-owned company of Mr. Szeto). As such, Lever Style Holdings, Ms. Fong Tong, Mr. Szeto and Imaginative Company Limited together are entitled to exercise over 30.0% of the voting rights in our Company and are our Controlling Shareholders within the meaning of the Listing Rules. Please refer to the section headed “History, Reorganisation and Group structure” of this prospectus for further details on the corporate structure of our Group.

On 29 April 2016, our Group entered into a sale and purchase agreement with an Independent Third Party to dispose of the entire interest in Jadestar Investments Limited, the holding company of Glad Garments. Under the agreement, Lever Style Holdings and Mr. Szeto, each a Controlling Shareholder, also disposed of all their interests in entities engaged in apparel manufacturing. The disposal was made with a consideration of approximately HK\$41.4 million based on arm’s length negotiation with reference to the adjusted net current assets of Glad Garments and the other manufacturing related companies as at 29 February 2016. The disposal was completed in August 2016.

Save as disclosed above, there is no other person who will, immediately following the completion of the Global Offering and Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme), be directly or indirectly interested in 30.0% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30.0% or more of the equity in such entity.

### **INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS**

Having considered the following factors, our Directors consider that our Group is capable of carrying on our business independently from our Controlling Shareholders and their respective associates (other than the members of our Group) upon Listing.

#### **Financial independence**

We are financially independent of our Controlling Shareholders and their respective associates. We have sufficient capital and banking facilities to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group makes financial decisions according to our own business needs.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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During the Track Record Period, Mr. Bernard Szeto, father of Mr. Szeto, has provided personal guarantee(s) to our Group. All such personal guarantee(s) will be fully released and/or replaced by corporate guarantees to be provided by our Company upon Listing.

As the above personal guarantee(s) given by Mr. Bernard Szeto will be released upon Listing, our Directors believe that we will be financially independent from our Controlling Shareholders and their respective associates upon Listing and we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders and their respective associates.

### **Operational independence**

We have sufficient operational capacity in terms of capital, facilities, premises and employees to operate our business independently. We also have independent access to suppliers and customers and our Group has established our own organisational structure made up of individual departments, each with specific area of responsibilities, to handle our day-to-day operations. Our Directors have confirmed that our Group is the owner of the trademark rights that are material to our business operations.

Save as disclosed for the director's quarter mentioned in the paragraph headed "Tenancy agreements between Calman Limited and Lever Shirt Limited" under the section headed "Connected transactions" of this prospectus, our Group had not shared any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and their respective associates during the Track Record Period. Our Group has also established a set of internal control procedures to facilitate the effective operation of our business. In particular, we are led by a management team with extensive experience in garment manufacturing. Our executive Directors have, on average, over 15 years of experience in commercial and corporate industry and have been with our Group or its affiliated entities for over 3 years.

Our Directors confirmed that our top five suppliers/customers for each year/period of the Track Record Period are all independent from our Controlling Shareholders and their respective associates. We do not rely on our Controlling Shareholders or their associates and have independent access to our suppliers/customers for the provision of services and materials.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders and their associates during the Track Record Period and will continue to operate independently.

### **Management independence**

Although our Controlling Shareholders will maintain controlling interests in our Company upon completion of the Global Offering, the day-to-day management and operations of our Group will be the responsibility of all our executive Directors and senior management of our Company. Our Board has seven Directors comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Our Board and senior

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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management operate as a matter of fact independently of our Controlling Shareholders and they are in a position to fully discharge their duties to our Shareholders as a whole after Listing without reference to our Controlling Shareholders.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or his/her 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 as required in the Articles.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing our Group's business independently from our Controlling Shareholders and their respective associates.

### **RULE 8.10 OF THE LISTING RULES**

Our Controlling Shareholders and Directors confirm that they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

### **DEED OF NON-COMPETITION**

Our Controlling Shareholders have given non-competition undertakings in favour of our Company under the Deed of Non-competition, pursuant to which, the Controlling Shareholders warrant and undertake with our Company that, from the Listing and ending on the occurrence of the earlier of,

- (a) our Controlling Shareholder and his/her/its associates and/or successor, individually and/or collectively, cease to own 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of our Company directly or indirectly or ceases to be deemed as our Controlling Shareholders; or
- (b) the Shares cease to be listed on the Stock Exchange (except for temporary suspension of Shares due to any reason),

he/she/it will not, and will procure any Controlling Shareholders and his/her/its associates (collectively, "**Controlled Persons**") and any company directly or indirectly controlled by our Controlling Shareholders (which for the purpose of the Deed of Non-competition, shall not include any member of our Group) ("**Controlled Company**") not to either on his/her/its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in,

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct business which, directly or indirectly, competes or may compete with the business presently carried on by our Company or any of our subsidiaries or any other business that may be carried on by any of them from time to time during the term of the Deed of Non-competition, in Hong Kong or such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time, including apparel business (“**Restricted Business**”), and/or to use the trademarks owned by our Group. Such non-competition undertakings do not apply to:

- (i) the holding of Shares or other securities issued by our Company or any of our subsidiaries from time to time;
- (ii) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on a recognised stock exchange and the aggregate interest of our Controlling Shareholders and his/her/its associates (as “interest” is construed in accordance with the provisions contained in Part XV of the SFO) does not amount to more than 5% of the relevant share capital of the company in question;
- (iii) the contracts and other agreements entered into between our Group and our Controlling Shareholders and/or his/her/its associates; and
- (iv) the involvement, participation or engagement of our Controlling Shareholders and/or his/her/its associates in the Restricted Business in relation to which our Company has agreed in writing to such involvement, participation or engagement, following a decision by our independent non-executive Directors to allow such involvement, participation or engagement subject to any conditions our independent non-executive Directors may require to be imposed.

### **New business opportunity**

If any Controlling Shareholders and/or any Controlled Company is offered or becomes aware of any business opportunity directly or indirectly to engage in or own the Restricted Business (“**New Business Opportunity**”):

- (i) he/she/it shall promptly notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration;
- (ii) he/she/it shall not, and shall procure that his/its Controlled Persons or Controlled Companies not to, invest or participate in any New Business Opportunity, unless such New Business Opportunity is rejected by the independent committee of our Board (“**Independent Board Committee**”) comprising our independent non-executive Directors from time to time who do not have any material interest in the Restricted Business and/or the New Business Opportunity and the principal terms of

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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which our Controlling Shareholders and/or his/her/its Controlled Persons or Controlled Companies invest or participate in are no more favourable than those made available to our Company;

- (iii) he/she/it may only engage in the New Business Opportunity if a notice is received from the Independent Board Committee confirming that the New Business Opportunity is not accepted by our Company and/or does not constitute competition with the Restricted Business; and
- (iv) if there is any material change in the nature, terms or conditions of such New Business Opportunity pursued, he/she/it shall refer such New Business Opportunity as so revised to our Company, in the manner outlined above as if it were a New Business Opportunity.

### **General undertakings**

To ensure the performance of the above non-competition undertakings given under the Deed of Non-competition, our Controlling Shareholders shall, among others:

- (i) when required by our Company, provide all information necessary for the Independent Board Committee to conduct annual examination with regard to the compliance of the terms of the Deed of Non-competition and the enforcement thereof;
- (ii) where the Independent Board Committee has rejected the New Business Opportunity referred to by our Controlling Shareholders as stipulated above regardless of whether our Controlling Shareholders would thereafter invest or participate in such New Business Opportunity, procure our Company to disclose to the public either in the annual or interim report of our Company or an announcement the decision of the Independent Board Committee regarding the decision on the New Business Opportunity and the basis thereof;
- (iii) allow our Directors, their respective representatives and the auditors to have sufficient access to the records of the Controlling Shareholders and his/her/its close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition; and
- (iv) on demand do all such acts and things and execute all such deeds and documents as may be necessary to carry into effect or give legal effect to the provisions of the Deed of Non-competition and the transactions contemplated.

In respect of the above undertakings, our Company confirms that, if the Independent Board Committee has rejected the New Business Opportunity referred to by our Controlling Shareholders regardless of whether our Controlling Shareholders would thereafter invest or participate in such New Business Opportunity, it will disclose to the public either in the annual or interim report of our Company or an announcement the decision of the Independent Board Committee regarding the decision on the New Business Opportunity and the basis thereof.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Our Controlling Shareholders have undertaken to our Company that he/she/it will abstain from voting on the board level or the shareholder level of our Company and will not be counted in the quorum if there is any actual or potential conflict of interest in relation to the Restricted Business and the New Business Opportunity.

To ensure that the terms of the Deed of Non-competition are observed, our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with and the enforcement of the Deed of Non-competition; and (ii) all the decision made by our Group in relation to whether to take up any New Business Opportunity.

### CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

- (i) the independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertakings by our Controlling Shareholders under the Deed of Non-competition;
- (ii) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (iii) our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of our Company;
- (iv) our Controlling Shareholders will make confirmation on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company;
- (v) our Company has appointed three independent non-executive Directors to ensure the effective exercise of independent judgment on the decision-making process of our Board and provide independent advice to our independent Shareholders;
- (vi) our Company has appointed Altus as our compliance adviser to advise on compliance matters in accordance with the Listing Rules; and
- (vii) in the event that there is any potential conflict of interests relating to the business of our Group between our Group and our Controlling Shareholders, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles or the Listing Rules, be required to declare his/her/its interests and, where required, abstain from participating in the relevant board meeting or general meeting and voting on the transaction and not count as quorum where required.

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## CONNECTED TRANSACTIONS

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We have entered into an agreement with an entity that will become a connected person of our Group after the Listing and such arrangement will constitute a connected transaction under Chapter 14A of the Listing Rules following the Listing.

### EXEMPT CONNECTED TRANSACTION

Calman Limited is a company incorporated in Hong Kong with limited liability whose shares are owned as to 50.0% and 50.0% by Longest Happy Day Holdings Limited (“LHDL”) and Surplus Enterprises Limited (“SEL”) respectively. LHDL is owned as to 100.0% by Mr. Bernard Szeto, the father of Mr. Szeto (a Controlling Shareholder, our Chairman and an executive Director) whereas SEL is owned as to 100.0% by Ms. Fong Tong (a Controlling Shareholder), mother of Mr. Szeto. As such, Calman Limited is a majority controlled entity of each of or a connected person and an associate of a connected person of our Company for the purpose of the Listing Rules. Accordingly, the following transaction will constitute a connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing.

### Tenancy agreements between Calman Limited and Lever Shirt Limited

During the Track Record Period, Calman Limited (as landlord) leased Flat 2A, 24 Tung Shan Terrace, Happy Valley, Hong Kong (“the Premises”) to Lever Shirt Limited (as tenant) for director’s quarter pursuant to three tenancy agreements dated 1 June 2016, 1 June 2017 and 1 June 2018 respectively. The amount of rent under those tenancy agreements was HK\$50,000 per month (exclusive of management fees and other expenses). Upon the expiry of the tenancy agreement dated 1 June 2018, a new tenancy agreement on substantially the same terms was executed on 1 June 2019 by Calman Limited and Lever Shirt Limited.

For the three years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2019, the total amount of rental expenses (together with management fees and other expenses) paid by Lever Shirt Limited to Calman Limited were US\$77,307, US\$77,027, US\$76,548 and US\$25,495 respectively in connection with the tenancy agreements for the Premises. Such amounts were determined based on comparable arm’s length negotiations between the parties and taking into account of the market rent of properties.

For the three financial years ending 31 December 2019, 2020 and 2021, our Directors expect that the maximum amount of rent payable by Lever Shirt Limited shall not exceed US\$80,000 per year, taking into consideration the historical transaction amounts and the market rent of comparable properties. Accordingly, as the applicable percentage ratios calculated based on Rule 14.07 of Listing Rules are expected to be less than 5% and the annual rent and other expenses are expected to be less than HK\$3 million, the transaction between Calman Limited and us will constitute a *de minimis* transaction under Rule 14A.76(1) of the Listing Rules and be fully exempt from disclosure requirements under Chapter 14A of the Listing Rules. Our company will comply with the relevant disclosure requirements under the Listing Rules if the transaction and Calman Limited exceeds the *de minimis* threshold under Rule 14A.76(1) of the Listing Rules.

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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme), based on the information available on the Latest Practicable Date, the following persons/entities 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:

Name	Capacity/Nature of interest	Number of Shares held immediately after the Global Offering <i>(Note 1)</i>	Approximate percentage of shareholding immediately after the Global Offering
Mr. Szeto	Interest of controlled corporation	305,664,000 (L) <i>(Note 1)</i>	47.76% <i>(Note 2)</i>
Imaginative Company Limited	Interest of controlled corporation	305,664,000 (L) <i>(Note 1)</i>	47.76% <i>(Note 2)</i>
Lever Style Holdings	Beneficial owner	305,664,000 (L)	47.76% <i>(Note 2)</i>
Fung Trinity Holdings Limited	Beneficial owner	92,224,000 (L)	14.41% <i>(Note 3)</i>
Fung Capital Asia Fund (I) Limited	Interest of controlled corporation	92,224,000 (L) <i>(Note 3)</i>	14.41% <i>(Note 3)</i>
Fung Capital Limited	Interest of controlled corporation	92,224,000 (L) <i>(Note 3)</i>	14.41% <i>(Note 3)</i>
Fung Investments Limited	Interest of controlled corporation	92,224,000 (L) <i>(Note 3)</i>	14.41% <i>(Note 3)</i>
King Lun Holdings Limited	Interest of controlled corporation	92,224,000 (L) <i>(Note 3)</i>	14.41% <i>(Note 3)</i>
Dr. William Fung Kwok Lun	Interest of controlled corporation	92,224,000 (L) <i>(Note 3)</i>	14.41% <i>(Note 3)</i>
HSBC Trustee (CI) Limited	Interest of controlled corporation	92,224,000 (L) <i>(Note 3)</i>	14.41% <i>(Note 3)</i>
Poolside Ventures Limited	Beneficial owner	32,992,000 (L) <i>(Note 4)</i>	5.12% <i>(Note 4)</i>



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## SUBSTANTIAL SHAREHOLDERS

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*Notes:*

1. The letter “L” denotes the person’s long position in the relevant Shares.
2. Lever Style Holdings is beneficially owned as to 14.0% and 86.0% by Ms. Fong Tong and Imaginative Company Limited respectively which is in turn wholly-owned by Mr. Szeto and his controlled corporation under the SFO. Accordingly, Mr. Szeto, Ms. Fong Tong and Imaginative Company Limited are interested in 305,664,000 Shares for the purpose of the SFO.
3. Fung Trinity Holdings Limited is wholly-owned by Fung Capital Asia Fund (I) Limited, the entire voting rights of Fung Capital Asia Fund (I) Limited is owned by Fung Capital Limited. Fung Capital Limited is wholly-owned by Fung Investments Limited, which is wholly-owned by King Lun Holdings Limited, which is legally owned as to 50.0% and 50.0% by Dr. William Fung Kwok Lun and HSBC Trustee (CI) Limited respectively, being the trustee of a family trust established for the family of Dr. Victor Fung Kwok King.
4. Poolside Ventures Limited is a cornerstone investor. The number of Shares held by it immediately after the Global Offering is calculated assuming an Offer Price of HK\$0.95 (being the mid-point of the indicative Offer Price range stated in this prospectus). For further information about Poolside Ventures Limited and the number of Shares held by it immediately after the Global Offering on the assumption of the high-end, mid-point and low-end of the indicate Offer Price range, please refer to the paragraph headed “Details of the cornerstone Investors” under the section headed “Cornerstone investors” of this prospectus.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme), have an interest or 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 Company.

### UNDERTAKINGS

Our Controlling Shareholders have given certain undertakings in respect of the Shares held by them to our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Stock Exchange, details of which are set out in the section headed “Underwriting” of this prospectus. Our Controlling Shareholders and our Company have also given undertakings in respect of the Shares to the Stock Exchange as required by Rules 10.07(1) and 10.08 of the Listing Rules.

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## SHARE CAPITAL

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### SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>1,000,000,000</u> Shares	<u>10,000,000.00</u>

*Shares in issue or to be issued, fully paid or credited as fully paid:*

	<i>HK\$</i>
20,000 Shares in issue as at the date of this prospectus	200.00
479,980,000 Shares to be issued pursuant to Capitalisation Issue	4,799,800.00
<u>160,000,000</u> New Shares to be issued pursuant to the Global Offering	<u>1,600,000.00</u>
<u>640,000,000</u> Shares in Total	<u>6,400,000.00</u>

### ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering and the Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option and 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 any Shares repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at the time of the Listing and at all time thereafter, our Company must maintain the minimum prescribed percentage of 25.0% of our issued share capital in the hands of the public (as defined in the Listing Rules).

### RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank equally in all respects with all the Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

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## **SHARE CAPITAL**

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### **CAPITALISATION ISSUE**

Pursuant to the resolutions in writing of the Shareholders passed on 12 October 2019, subject to the share premium account of our Company being credited as a result of the Listing, our Directors were authorised to allot and issue a total of 479,980,000 Shares to the existing Shareholders, credited as fully paid at par by way of capitalisation of the sum of HK\$4,799,800 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank equally in all respects with the Shares in issue (save for the right to participate in the Capitalisation Issue).

### **CIRCUMSTANCES WHERE MEETING OF OUR COMPANY IS REQUIRED**

The circumstances under which general meeting and class meeting are required are provided in the Articles, details of which is set out in paragraph headed “2. Articles of Association” in Appendix III to this prospectus.

### **SHARE OPTION SCHEME**

Our Company has conditionally adopted the Share Option Scheme on 12 October, 2019 by resolutions of our Shareholders. The principal terms of the Share Option Scheme are summarised in the paragraph headed “14. Share Option Scheme” in Appendix IV to this prospectus.

### **GENERAL MANDATE TO ALLOT AND ISSUE SHARES**

Our Directors have been conditionally 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 number 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 the Share Option Scheme, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20.0% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme); and
- (b) the total number of Shares of our Company repurchased pursuant to the authority granted to our Directors as referred to in the paragraph headed “General mandate to repurchase Shares” under this section.

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## SHARE CAPITAL

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The General mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the near annual general meeting of our Company;
- (b) the expiration of the period within which the near annual general meeting is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the passing of an ordinary resolution of the Shareholder in general meeting revoking, varying or renewing such mandate.

For further details of this general mandate, please refer to the paragraph headed “4. Resolutions in writing of the Shareholders passed on 12 October 2019” in Appendix IV to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been conditionally granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange under the Takeovers Code for this purpose) with an aggregate number of not more than 10% of the number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange under the Takeover Codes for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out under the section headed “6. Repurchase by our Company of its own securities” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate for the repurchase of Shares, please refer to the section headed “4. Resolutions in writing of the Shareholders passed on 12 October 2019” in Appendix IV to this prospectus.

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## FINANCIAL INFORMATION

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*Prospective investors should read this section in conjunction with our audited combined financial statements, including the notes thereto, as set out in the Accountants' Report in Appendix I to this prospectus. Our Group's combined financial statements have been prepared in accordance with the accounting policies which conform with HKFRSs. Prospective investors should read the entire Accountants' Report and not merely rely on the information contained under this section of the prospectus.*

*The following discussion and analysis contained 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 Group in light of our 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. However, whether actual outcomes and developments will meet our Group's expectations and projections depends on a number of risk and uncertainties over which our Group does not have control. For further information, prospective investor should refer to the section headed "Risk factors" of this prospectus.*

### 1. OVERVIEW

We are a multi-product apparel supplier for notable brands across the U.S., Europe and APAC with a forte on technical design – in essence developing the blueprint of each garment for bulk production. Our end-to-end supply chain solutions strive to encompass product development through production management to distribution logistics. During the Track Record Period, our customers consisted of digitally native brands and platforms and conventional brands across the U.S., Europe and APAC. Our Group achieved revenue growth with a CAGR of approximately 7.3% from 2016 to 2018 whilst our profit recorded a significant growth with a CAGR of approximately 28.5% from 2016 to 2018. The significant growth was mainly attributable to our strategy to capture the high growth market of digitally native brands and platforms arising from the increasing prevalence of e-commerce and rising influence of social media which had led to the increasing demand for products of digitally native brands and platforms in the global apparel industry.

### 2. BASIS OF PREPARATION

The financial information has been prepared by our Directors based on accounting policies which conform to Hong Kong Financial Reporting Standards (“HKFRSs”) which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), on the basis of preparation and presentation as set out in note 2 of the Accountants' Report contained in Appendix I to this prospectus, and no adjustments have been made in preparing the financial information.

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## FINANCIAL INFORMATION

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### 3. CRITICAL ACCOUNTING POLICIES

For the purpose of preparing and presenting the historical financial information for the Track Record Period, our Company has consistently applied all HKASs, HKFRSs, amendments issued by the HKICPA, that are effective for our Group's accounting period beginning on 1 January 2019, including HKFRS 16 "*Leases*" using the modified retrospective approach (including practical expedient permitted by HKFRS 16) and HKFRS 15 "*Revenue from Contracts with Customers*" which are effective for the accounting period beginning on 1 January 2018, throughout the Track Record Period except that our Group adopted HKFRS 9 "*Financial Instruments*" on 1 January 2018 and HKAS 39 "*Financial Instruments: Recognition and Measurement*" prior to 1 January 2018. In addition, the adoption of HKFRS 15 does not have significant impact on our financial position and performance compared to the requirements of HKAS 18 "*Revenue*". The adoption of HKFRS 16 requires our Group to recognise a right-of-use asset and a corresponding liability in respect of all leases unless they qualify for low value or short-term leases, as a result, our Group's consolidated assets and liabilities increased as compared to the requirements of HKAS 17 "*Leases*" but there are no significant impact on our Group's consolidated net asset value, financial performance and key ratios.

Our management has assessed the effects of adoption of HKFRS 9 on the historical financial information on 1 January 2018. We have applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applying the classification and measurement requirements (including impairment under expected credit loss model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and not applying the requirements to instruments that have already been derecognised as at 1 January 2018. The adoption of HKFRS 9 on 1 January 2018 does not have any significant impact on our Group's cash flows for the year ended 31 December 2018 and for the four months ended 30 April 2019. Except for the reclassification and remeasurement of certain our financial assets from loans and receivables which were measured at amortised cost under HKAS 39 to financial assets measured at fair value through other comprehensive income under HKFRS 9, our Directors considered that the initial adoption of HKFRS 9 does not result in a significant impact to our Group's financial position and performance. Details of the impact on our Group's adoption of HKFRS 9 are set out in note 3 to the Accountants' Report included in Appendix I to this prospectus.

For details of the significant accounting policies applied in the preparation of the historical financial information of our Group, please refer to note 4 to the Accountants' Report included in Appendix I to this prospectus.

The preparation of financial information is in conformity with the HKFRSs and requires our management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily

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## FINANCIAL INFORMATION

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apparent from other sources. Actual results may differ from these estimates. Our significant accounting policies and estimates which are important for an understanding of our financial conditions and results of operations, are set forth in notes 4 and 5 of the Accountants' Report contained in Appendix I to this prospectus.

#### **4. MAJOR FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS**

Our results of operations and financial conditions are significantly affected by the following factors:

##### **4.1 Change in demand of our apparel products**

We offer multiple apparel categories to our customers and all of our customers are fashion apparel brands. Our business and results of operations are directly affected by the demand for our customers' products. With the ever-heightening consumers' expectation and intensified competition in the global apparel industry, the change in demand for our customers' products may be faster than ever. If the sales of our major customers' products decrease or do not grow as we expect, our customers may reduce the quantity or purchase price of their purchase orders, which could adversely affect our revenue as well as our business operations.

Our diversified and growing apparel category portfolio underpins our business sustainability as we do not over-rely on a certain critical product. During the Track Record Period, we mainly offered four apparel categories consisting of shirts, bottoms, suit and outerwear, and had expanded our portfolio to include athleisure, cut-and-sewn knit, soft wovens and denim. Moreover, we do not heavily rely on particular customers and are therefore less susceptible to the financial performance of individual brands. During the Track Record Period, each of our five largest customers accounted for approximately 57.5%, 59.0%, 66.1% and 68.6% of our total revenue for each of the three years ended 31 December 2018 and four months ended 30 April 2019 respectively.

Leveraging on this strength, we plan to deepen our penetration into our existing customer base and gain market share by expanding our apparel category portfolio through acquiring businesses possessing strong technical know-how so as to better respond and adapt to the changing customer demand in the global apparel industry within a short period of time. For further details, please refer to the section headed "Future plans and use of proceeds" of this prospectus.



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## FINANCIAL INFORMATION

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### 4.2 Fluctuations in cost of raw materials and labour

We engage contract manufacturers to manufacture all apparel products, and raw materials are either sourced by us or contract manufacturers from raw material providers. As such, we bear the cost of raw materials and labour costs of contract manufacturers indirectly as part of our subcontracting costs. Fluctuations in the cost of raw materials and labour may adversely affect our business operations and financial conditions.

During the Track Record Period, our Group's raw material suppliers and contract manufacturers were distributed throughout the APAC region, such as China, Vietnam and Cambodia. In particular, pressure to increase the overall minimum wage of workers in China and uncertainty in international trade relations could increase the operating costs of our raw material suppliers and contract manufacturers. This increase may be absorbed by our Group through an increase in the cost of raw materials and subcontracting costs if our Group is unable to transfer such costs to our customers.

Despite this, a substantial proportion of our customers are conventional premium brands who weigh quality and reliability over costs when selecting suppliers and place less emphasis on price compared to mass market brands. Moreover, our Group's well-developed multi-jurisdiction contract manufacturing and material supply network provides us with more choices of location in light of rising material and labour costs in China. We have the ability to manage our cost of sales by procuring materials and contract manufacturers from other countries.

### 4.3 Fluctuations in foreign currency exchange rate

During the Track Record Period, approximately 14.0%, 9.9%, 5.9%, 11.2% and 6.2% of our total revenue and approximately 30.4%, 22.1%, 14.2%, 11.2% and 11.2% of our total cost of sales were denominated in RMB for each of the three years ended 31 December 2018 and four months ended 30 April 2018 and 2019 respectively. Meanwhile, our Group's functional and reporting currency is US\$. As a result, our Group is mainly exposed to currency risk in RMB and the fluctuations in the exchange rate between US\$ and RMB could materially impact our results of operations and financial conditions. During the Track Record Period, our Group had net asset exposure in RMB of approximately US\$4.2 million and US\$4.1 million as at 31 December 2016 and 2017 respectively and net liability exposure of approximately US\$0.2 million and US\$0.7 million as at 31 December 2018 and 30 April 2019 respectively. For further details, please refer to the paragraph headed "12.1 Foreign currency exchange risks" under this section.

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## FINANCIAL INFORMATION

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### 5. RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth the summary of our combined statements of profit and loss and other comprehensive income for the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019, as derived from the Accountants' Report set out in Appendix I to this prospectus.

#### Summary of combined statements of profit and loss and other comprehensive income

	Year ended 31 December			Four months ended	
	2016	2017	2018	2018	2019
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(unaudited)</i>				
Revenue	100,596	100,795	115,886	34,985	37,203
Cost of sales	<u>(82,177)</u>	<u>(76,098)</u>	<u>(85,626)</u>	<u>(26,125)</u>	<u>(26,738)</u>
<b>Gross profit</b>	18,419	24,697	30,260	8,860	10,465
Other income	387	132	448	68	100
Other gains and losses	1,857	7	(162)	2	(33)
Selling and distribution expenses	(7,635)	(10,920)	(13,201)	(3,774)	(4,460)
Administrative expenses	(8,130)	(7,951)	(8,780)	(2,957)	(3,283)
Finance costs	(485)	(528)	(560)	(151)	(254)
Listing expenses	<u>–</u>	<u>–</u>	<u>(287)</u>	<u>–</u>	<u>(810)</u>
<b>Profit before tax</b>	4,413	5,437	7,718	2,048	1,725
Income tax expense	<u>(496)</u>	<u>(941)</u>	<u>(1,254)</u>	<u>(306)</u>	<u>(347)</u>
<b>Profit for the year/period</b>	<u><u>3,917</u></u>	<u><u>4,496</u></u>	<u><u>6,464</u></u>	<u><u>1,742</u></u>	<u><u>1,378</u></u>

Our Group recorded growth in both revenue and profit from 2016 to 2018. Our growth was primarily driven by our strategy to enlarge our customer base amongst digitally native brands and platforms and conventional premium brands. During the Track Record Period, our revenue derived from digitally native customers increased significantly at a CAGR of approximately 55.3% from 2016 to 2018, which was mainly attributable to the growth in order volume and the increase in number of digitally native brands and platforms in our customer base. The significant increase was underpinned by the strong growth of our digitally native customers arising from the increasing demand of their products in the global apparel industry brought about by the rising prevalence in online shopping and e-commerce. During the Track Record Period, the gross profit margin of our digitally native and conventional premium customers experienced a consistent growth from approximately 17.8% to 32.8% and approximately 18.8% to 23.9% respectively, which is a validation of our management's vision and strategy.

## FINANCIAL INFORMATION

### 5.1 Revenue

Our Group's revenue was derived from the supply of multi-category apparel products to our customers with product development through production management to distribution logistics. Set out below is the breakdown of revenue by customer type during the Track Record Period.

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
	<i>(unaudited)</i>									
Digitally native	22,256	22.1	35,180	34.9	53,653	46.3	13,910	39.8	17,820	47.9
Conventional										
– Premium	61,052	60.7	54,829	54.4	53,238	45.9	16,139	46.1	16,732	45.0
– Moderate	17,288	17.2	10,786	10.7	8,995	7.8	4,936	14.1	2,651	7.1
Sub-total	<u>78,340</u>	<u>77.9</u>	<u>65,615</u>	<u>65.1</u>	<u>62,233</u>	<u>53.7</u>	<u>21,075</u>	<u>60.2</u>	<u>19,383</u>	<u>52.1</u>
<b>Total</b>	<b><u>100,596</u></b>	<b><u>100.0</u></b>	<b><u>100,795</u></b>	<b><u>100.0</u></b>	<b><u>115,886</u></b>	<b><u>100.0</u></b>	<b><u>34,985</u></b>	<b><u>100.0</u></b>	<b><u>37,203</u></b>	<b><u>100.0</u></b>

Set out below is the breakdown of revenue by apparel category during the Track Record Period.

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
	<i>(unaudited)</i>									
Shirts	52,343	52.1	47,405	47.0	53,012	45.8	16,112	46.1	18,982	51.0
Bottoms	22,746	22.6	28,540	28.3	27,976	24.1	10,163	29.0	10,072	27.1
Suit	17,035	16.9	15,315	15.2	20,030	17.3	4,967	14.2	4,373	11.7
Outerwear	6,602	6.6	6,975	7.0	11,133	9.6	2,535	7.2	1,879	5.1
Others <sup>(Note)</sup>	1,870	1.8	2,560	2.5	3,735	3.2	1,208	3.5	1,897	5.1
<b>Total</b>	<b><u>100,596</u></b>	<b><u>100.0</u></b>	<b><u>100,795</u></b>	<b><u>100.0</u></b>	<b><u>115,886</u></b>	<b><u>100.0</u></b>	<b><u>34,985</u></b>	<b><u>100.0</u></b>	<b><u>37,203</u></b>	<b><u>100.0</u></b>

*Note:* Others include athleisure, cut-and-sewn knit, soft wovens and denim.

## FINANCIAL INFORMATION

Set out below is the breakdown of our sales volume and average selling price by apparel category during the Track Record Period.

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	Average Sales volume <i>pieces'000</i>	Average selling price <i>US\$</i>	Average Sales volume <i>pieces'000</i>	Average selling price <i>US\$</i>	Average Sales volume <i>pieces'000</i>	Average selling price <i>US\$</i>	Average Sales volume <i>pieces'000</i>	Average selling price <i>US\$</i>	Average Sales volume <i>pieces'000</i>	Average selling price <i>US\$</i>
Shirts	4,164	12.6	3,515	13.5	3,505	15.1	1,109	14.5	1,169	16.2
Bottoms	1,541	14.8	1,420	20.1	1,424	19.6	624	16.3	452	22.2
Suit	217	78.4	192	79.8	237	84.7	67	74.1	53	82.5
Outerwear	99	66.9	86	81.2	184	60.4	41	61.8	41	45.8
Others <sup>(Note)</sup>	55	34.0	101	25.4	216	17.3	45	26.8	110	17.2
<b>Total</b>	<b>6,076</b>	<b>16.6</b>	<b>5,314</b>	<b>19.0</b>	<b>5,566</b>	<b>20.8</b>	<b>1,886</b>	<b>18.5</b>	<b>1,825</b>	<b>20.4</b>

*Note:* Others include athleisure, cut-and-sewn knit, soft wovens and denim.

### ***Year ended 31 December 2017 compared to year ended 31 December 2016***

Our Group recorded similar revenue in 2017 compared to 2016, which was mainly due to the increase in revenue generated from digitally native customers of approximately US\$12.9 million, being offset by the decrease in revenue generated from conventional brands of approximately US\$12.7 million.

Our revenue generated from digitally native customers increased significantly by approximately 58.1% from 2016 to 2017. The increase was mainly attributable to the rise in the order volume and the growth in number of digitally native customers in our customer base, which reflect our strategy to put more emphasis on digitally native customers so as to capture the high growth market brought about by the ever-ascending popularity of online shopping and social media's growing effectiveness in digital marketing.

We recorded a drop in our revenue from conventional premium brands of approximately US\$61.1 million to US\$54.8 million and conventional moderate brands of approximately US\$17.3 million to US\$10.8 million from 2016 to 2017 respectively. Such decrease was mainly due to the fact that we strategically reduced the low-margin purchase orders from both conventional premium customers and conventional moderate customers. In particular, sales from one of our top five conventional moderate customer in 2016 with a relatively low average gross profit margin of approximately 17.0% in 2016 decreased from approximately US\$6.5 million in 2016 to approximately US\$4.0 million in 2017, whilst the sales from one of our top five conventional premium customer in 2016, also

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with a relatively low average gross profit margin of approximately 15.1% in 2016, recorded a significant decrease in sales from approximately US\$10.0 million in 2016 to approximately US\$2.8 million in 2017.

Although we recorded a drop in revenue from conventional brands of approximately 16.2% from 2016 to 2017, conventional brands remained as our largest revenue contributor for both 2016 and 2017, accounting for approximately 77.9% and 65.1% of our revenue for these two years respectively. In particular, the percentage of our conventional premium brands out of our total sales generated from conventional brands recorded an increase from approximately 77.9% in 2016 to 83.6% in 2017 corresponding to our strategic efforts to target premium brands with relatively higher margins.

Meanwhile, as our revenue derived from each apparel category stems from end consumers demand and fashion trends at the prevailing time, changes in revenue contribution by apparel category correlate to our customers' product line-up during each of the financial year. In particular, our revenue derived from shirts and suit decreased slightly from 2016 to 2017 as a result of the decreased order volume from conventional moderate brands. The decrease was offset by the growth in revenue in our bottoms, outerwear and others of approximately 25.5%, 5.6% and 36.9% respectively.

We recorded a general decrease in sales volume and a general increase in average selling price for our shirts, bottoms, suit and outerwear from 2016 to 2017 as our Group strategically reduced the purchase orders from conventional brands with low margin while continued to target customers with higher priced products. However, we recorded an increase in sales volume and a decrease in average selling price for others, which was mainly attributable to our strategy to expand into a new apparel category, namely cut-and-sewn knit which has generally lower selling price.

### ***Year ended 31 December 2018 compared to year ended 31 December 2017***

Our Group's revenue increased to approximately US\$115.9 million in 2018, representing a growth of approximately 15.0%. The increase reflected the outcome of our strategy to focus on customers with high growth potential and more attractive margins, which were mainly digitally native and conventional premium customers.

Our revenue generated from digitally native customers increased by approximately 52.5% from 2017 to 2018, and it contributed approximately 46.3% of the total revenue for 2018. The increase was mainly attributable to the continued increase in our order volume and number of digitally native customers as we continued to abide by the abovementioned business strategy.

Our revenue from conventional premium customers and conventional moderate customers continued to drop to approximately US\$53.2 million and US\$9.0 million in 2018 respectively, which was mainly attributable to our continued reduction in the low-margin purchase orders from conventional customers during the year. In particular,

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the sales from one of our top five conventional moderate customer in 2016 with a relatively low average gross profit margin of approximately 20.0% in 2017, decreased from approximately US\$4.0 million in 2017 to approximately US\$2.3 million in 2018 respectively, whilst the sales from one of our top five conventional premium customer in 2016, also with a relatively low average gross profit margin of approximately 10.1% in 2017, recorded a significant decrease in sales from approximately US\$2.8 million in 2017 to approximately US\$0.2 million in 2018.

Conventional brands contributed to approximately 53.7% of the total revenue for 2018, including an increase in the proportion of conventional premium brands from approximately 83.6% to approximately 85.5% of the total sales of conventional brands from 2017 to 2018.

Our revenue derived from shirts, suit, outerwear and others experienced strong growth from 2017 to 2018. In particular, our revenue from suit increased by approximately US\$4.7 million in 2018, that is approximately 30.8%, mainly due to the increased orders from two digitally native customers. Our revenue derived from others, namely athleisure, cut-and-sewn knit, soft wovens and denim increased substantially by approximately 45.9% in 2018, contributing to approximately 3.2% of total revenue in 2018. As disclosed under the section headed “Future plans and use of proceeds” of this prospectus, we intend to accelerate our apparel category expansion by acquiring apparel businesses possessing strong technical know-how in athleisure, cut-and-sewn knit, soft wovens and denim going forward.

The sales volume and average selling price of suit experienced a growth of approximately 23.4% and 6.1% from 2017 to 2018 respectively. This rise was mainly due to increased purchase orders of higher priced products with more value-added services from our two key digitally native customers. Although our outerwear recorded a growth in sales volume, its average selling price experienced a drop, which was resulted from the increased purchase orders from customers on basic style products with relatively lower selling price. The further increase in sales volume of others during the year was mainly due to the increased sales orders of our soft wovens and our continued expansion into new apparel categories, such as athleisure and denim while the decrease in the average selling price was resulted from the increased portion of orders in basic style soft wovens with a relatively lower selling price.

### ***Four months ended 30 April 2019 compared to four months ended 30 April 2018***

Our Group recorded an increase in revenue of approximately 6.3% from approximately US\$35.0 million for the four months ended 30 April 2018 to US\$37.2 million for the four months ended 30 April 2019. The increase resulted from our continuing efforts in targeting customers with high growth potential and more attractive margins.

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We recorded a rise in revenue generated from digitally native customers of approximately US\$3.9 million, or 28.1% for the four months ended 30 April 2019, which is mainly due to our strategy to focus on customers with high growth potential and more attractive margins mainly digitally native brands and platforms, and as a result, an increase in the number of digitally native customers. Our revenue from conventional premium customers remained relatively stable while that of conventional moderate brands experienced a decline of approximately 46.3% for the four months ended 30 April 2019, which is in line with our strategy to reduce exposure to low-margin purchase orders during the period. In particular, the sales from one of our top five conventional moderate customers in 2016 with a relatively low average gross profit margin of approximately 21.0% and 10.7% for the year ended 31 December 2018 and the four months ended 30 April 2019 respectively, further decreased from approximately US\$1.3 million for the four months ended 30 April 2018 to approximately US\$0.1 million for the same period in 2019.

Our revenue derived from shirts continued to grow at approximately 17.8% while that of suit and outerwear recorded a slight decline for the four months ended 30 April 2019 compared to the corresponding period in 2018. The increase in our sales from shirts, which recorded the highest gross profit margin among the apparel categories; amounting to approximately 31.2% for the four months ended 30 April 2019, corresponded to our continued efforts to solicit orders with better margin. Our Group continued to record a significant growth in revenue from others of approximately 57.0%, contributing to approximately 5.1% of total revenue for the four months ended 30 April 2019. This reflects our continued efforts in expanding our additional apparel categories, such as athleisure, cut-and-sewn knit, soft wovens and denim.

The average selling prices of shirts, bottoms and suit experienced a consistent growth during the four months ended 30 April 2019 which resulted from the increased purchase orders of higher priced products from our key digitally native and conventional premium customers compared to the corresponding period in 2018. The average selling prices of bottoms and suit were further enhanced by our strategy to reduce the low-margin purchase orders which are usually lower-priced products, resulting in greater proportion of sales from higher priced products. Meanwhile, as a result of the same strategy, despite our outerwear recorded lower average selling price, the sales volume of outerwear remained relatively stable as its gross profit margin increased for the four months ended 30 April 2019. The sales volume of others increased significantly by approximately 1.4 times which is consistent with our strategy to expand our apparel categories, whereas the drop in average selling price was caused by the increase in the proportion of sales from cut-and-sewn knit which had lower selling price than other types of apparel.



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Set out below is the breakdown of revenue by customers' headquarters' location during the Track Record Period. It should be noted that the following breakdown is based on the location of our customers' headquarters. As many of our customers have multi-jurisdiction distribution network, the final location of our products may be different from the headquarters of our customers.

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
	<i>(Unaudited)</i>									
U.S.	64,720	64.4	67,581	67.0	79,563	68.7	22,054	63.0	27,528	74.0
Greater China	15,586	15.5	14,582	14.5	13,302	11.5	6,441	18.4	2,909	7.8
Europe	13,315	13.2	14,434	14.3	16,278	14.0	4,320	12.4	5,391	14.5
Others	6,975	6.9	4,198	4.2	6,743	5.8	2,170	6.2	1,375	3.7
<b>Total</b>	<b>100,596</b>	<b>100.0</b>	<b>100,795</b>	<b>100.0</b>	<b>115,886</b>	<b>100.0</b>	<b>34,985</b>	<b>100.0</b>	<b>37,203</b>	<b>100.0</b>

From the table above, it can be shown that the U.S. based brands are our biggest customer segment, consistently contributing more than 60.0% of our total revenue throughout the Track Record Period. The increasing trend in the proportion of U.S. based brands corresponds to the rise of digitally native brands and platforms in our customer portfolio, who are primarily based in the U.S., and our efforts in capturing this high-growth market.

### 5.2 Cost of sales

Our Group's cost of sales consists of materials costs, subcontracting fees and manufacturing costs. The following table sets out the breakdown of our cost of sales during the Track Record Period.

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
	<i>(Unaudited)</i>									
Materials	43,518	52.9	43,806	57.6	50,957	59.5	14,735	56.4	15,293	57.2
Subcontracting	24,458	29.8	32,292	42.4	34,669	40.5	11,390	43.6	11,445	42.8
Manufacturing costs	14,201	17.3	—	—	—	—	—	—	—	—
<b>Total</b>	<b>82,177</b>	<b>100.0</b>	<b>76,098</b>	<b>100.0</b>	<b>85,626</b>	<b>100.0</b>	<b>26,125</b>	<b>100.0</b>	<b>26,738</b>	<b>100.0</b>

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Materials represented cost of raw materials including main materials (such as fabric and trim) and ancillary materials (such as buttons and threads) we paid to our raw material suppliers or contract manufacturers. Subcontracting represented subcontracting fees paid to our third party contract manufacturers for the production of apparel products.

Manufacturing costs represented total costs incurred in manufacturing activities carried out by our former wholly-owned subsidiary, Glad Garments. Such costs included cost of raw materials, direct labour costs and other operating and overhead costs incurred during the manufacturing process.

The drop in our cost of sales in 2017 was mainly attributable to the absence of manufacturing costs which corresponds to our strategy to move away from the traditional self-operated manufacturing model with the disposal of Glad Garments in August 2016 marking the completion of such pivot. For more details of the disposal, please refer to the paragraph headed “Relationship with the Glad Garments Group” under the section headed “Business” of this prospectus. Our cost of sales then increased by approximately 12.5% to approximately US\$85.6 million in 2018, which was in line with our growth in revenue during the year. Our cost of sales remained relatively stable for the four months ended 30 April 2019 compared to the corresponding period in 2018. The increase in material cost was in line with the rise in revenue during the four months ended 30 April 2019 while the decrease of subcontracting cost resulted from the general shift of manufacturing factories from China to Vietnam due to the lower labour cost of Vietnam than China, according to Frost & Sullivan.

The following sensitivity analysis illustrates the impact of a decrease/an increase of 5%, 8% and 10% in our material cost, with all other things being held constant, and how that would have increased/decreased our gross profit for each of the three years ended 31 December 2018 and four months ended 30 April 2018 and 2019:

	<b>Decrease/ Increase by 5%</b>	<b>Decrease/ Increase by 8%</b>	<b>Decrease/ Increase by 10%</b>
<b>Change in gross profit (US\$'000)</b>			
Year ended 31 December 2016	+/-2,176	+/-3,481	+/-4,352
Year ended 31 December 2017	+/-2,190	+/-3,504	+/-4,380
Year ended 31 December 2018	+/-2,548	+/-4,077	+/-5,096
Four months ended 30 April 2018	+/-737	+/-1,179	+/-1,474
Four months ended 30 April 2019	+/-765	+/-1,223	+/-1,530

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The following sensitivity analysis illustrates the impact of a decrease/an increase of 5%, 8% and 10% in our subcontracting cost, with all other things being held constant, and how that would have increased/decreased our gross profit for each of the three years ended 31 December 2018 and four months ended 30 April 2018 and 2019:

	<b>Decrease/ Increase by 5%</b>	<b>Decrease/ Increase by 8%</b>	<b>Decrease/ Increase by 10%</b>
<b>Change in gross profit (US\$'000)</b>			
Year ended 31 December 2016	+/-1,223	+/-1,957	+/-2,446
Year ended 31 December 2017	+/-1,615	+/-2,583	+/-3,229
Year ended 31 December 2018	+/-1,733	+/-2,773	+/-3,469
Four months ended 30 April 2018	+/-570	+/-911	+/-1,140
Four months ended 30 April 2019	+/-572	+/-916	+/-1,144

### 5.3 Gross profit and gross profit margin

Set out below is the breakdown of gross profit and gross profit margin by customer type during the Track Record Period.

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
	<i>(Unaudited)</i>									
Digitally native	3,959	17.8	8,635	24.5	14,147	26.4	3,780	27.2	5,851	32.8
Conventional										
– Premium	11,466	18.8	13,942	25.4	13,928	26.2	3,906	24.2	4,004	23.9
– Moderate	2,994	17.3	2,120	19.7	2,185	24.3	1,174	23.8	610	23.0
Sub-total	<u>14,460</u>	<u>18.5</u>	<u>16,062</u>	<u>24.5</u>	<u>16,113</u>	<u>25.9</u>	<u>5,080</u>	<u>24.1</u>	<u>4,614</u>	<u>23.8</u>
<b>Total</b>	<u><u>18,419</u></u>	<u><u>18.3</u></u>	<u><u>24,697</u></u>	<u><u>24.5</u></u>	<u><u>30,260</u></u>	<u><u>26.1</u></u>	<u><u>8,860</u></u>	<u><u>25.3</u></u>	<u><u>10,465</u></u>	<u><u>28.1</u></u>

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Set out below is the breakdown of gross profit and gross profit margin by apparel categories during the Track Record Period.

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	Gross		Gross		Gross		Gross		Gross	
	Gross profit	profit margin	Gross profit	profit margin	Gross profit	profit margin	Gross profit	profit margin	Gross profit	profit margin
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
	<i>(Unaudited)</i>									
Shirts	10,538	20.1	12,933	27.3	14,913	28.1	4,687	29.1	5,926	31.2
Bottoms	3,669	16.1	6,429	22.5	7,016	25.1	2,427	23.9	2,490	24.7
Suit	2,804	16.5	3,508	22.9	5,312	26.5	1,094	22.0	1,251	28.6
Outerwear	1,221	18.5	1,565	22.4	2,599	23.3	516	20.3	396	21.1
Others <sup>(Note)</sup>	187	10.0	262	10.2	420	11.2	136	11.2	402	21.2
<b>Total</b>	<b>18,419</b>	<b>18.3</b>	<b>24,697</b>	<b>24.5</b>	<b>30,260</b>	<b>26.1</b>	<b>8,860</b>	<b>25.3</b>	<b>10,465</b>	<b>28.1</b>

*Note:* Others include athleisure, cut-and-sewn knit, soft wovens and denim.

Our Group's gross profit and gross profit margin grew from approximately US\$18.4 million and 18.3% for 2016 to approximately US\$24.7 million and 24.5% for 2017, then to approximately US\$30.3 million and 26.1% for 2018, while our gross profit and gross profit margin grew from approximately US\$8.9 million and 25.3% for the four months ended 30 April 2018 to approximately US\$10.5 million and 28.1% respectively for the four months ended 30 April 2019.

Our strategic focus on digitally native brands and platforms as well as conventional premium customers from which we were able to command higher gross profit margins than conventional moderate brands resulted in continuous improvement in our gross profit and gross profit margin throughout the Track Record Period. The significant increase in our gross profit and gross profit margin in 2017 was further enhanced by the disposal of our own manufacturing arm in 2016, resulting in an overall decrease in our cost of sales in 2017.

Gross profit margin of digitally native brands and platforms of approximately 17.8%, 24.5%, 26.4%, 27.2% and 32.8% and conventional premium brands of approximately 18.8%, 25.4%, 26.2%, 24.2% and 23.9% were higher than that of conventional moderate brands of approximately 17.3%, 19.7%, 24.3%, 23.8% and 23.0% for each of the three years ended 31 December 2018 and four months ended 30 April 2018 and 2019 respectively. We recorded a substantial growth in gross profit margin from digitally native customers throughout the Track Record Period, while the purchase orders from our conventional premium customers consistently recorded higher gross profit margin than conventional moderate customers throughout the Track Record Period. The purchase orders from our conventional premium brands recorded a relatively lower gross profit margin for the four months ended 30 April 2019 as compared to the year ended 31 December 2018. This was mainly due to the higher production costs for certain urgent orders from one of our major conventional premium customers during the period.

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In general, given digitally native brands and platforms generally adopt supply chain strategies that involve small batch orders, their orders are less able to take advantage of economies of scale, thereby lowering their bargaining power in terms of price negotiations. Accordingly, we recorded higher gross profit margins from digitally native brands and platforms than conventional moderate brands during the Track Record Period. On the other hand, given their market positioning, conventional premium brands generally have higher consumer price points and tend to value quality and aesthetic standards more than brands in the lower end market. Since our strong technical know-how and high standard of quality in product development and production management enabled us to meet the stronger technical requirement from our conventional premium customers, we can generally command higher margin from conventional premium customers than conventional moderate customers.

Our gross profit margin for all apparel categories improved continuously during the Track Record Period. In particular, our gross profit margin of bottoms and suit experienced a significant increase from approximately 16.1% to 25.1% and approximately 16.5% to 26.5%, respectively from 2016 to 2018, and approximately 23.9% to 24.7% and approximately 22.0% to 28.6% respectively from the four months ended 30 April 2018 to the four months ended 30 April 2019. The rise was mainly due to our strategy to reduce the low-margin purchase orders and increased efforts to solicit orders with better margin. The rise in gross profit was further enhanced by the general shift of our contract manufacturers from China to Vietnam with Vietnam-based contract manufacturer portion of cost of sales increasing from approximately 2.7% in 2016 to approximately 16.2% in 2018, so as to mitigate the impact of rising and higher labour costs in China similar to some of our industry peers. According to Frost & Sullivan, the average annual salary of urban employees in manufacturing industry in China increased from approximately US\$8,013 in 2014 to approximately US\$10,530 in 2018, representing a CAGR of approximately 7.1%. Whilst for Vietnam, although the average annual salary of urban employees in manufacturing industry increased from approximately US\$3,126 in 2014 to approximately US\$4,439 in 2018, representing a CAGR of approximately 9.2%, it is still less than 50% of the average in China and lower than the labour cost of most countries in Southeast Asia. According to Frost & Sullivan, there is an increasing number of apparel manufacturers shifting their production to Vietnam primarily due to the lower labour cost in this country and some of these industry peers have experienced a growth in gross profit margin after their relocation of production base.

Our shirts recorded the highest gross profit margin among all apparel categories at approximately 20.1%, 27.3%, 28.1%, 29.1% and 31.2% for each of the three years ended 31 December 2018 and four months ended 30 April 2018 and 2019 respectively. The increasing trend in our shirts' gross profit margin contributed the most to our continued growth in overall gross profit margin as shirts was our largest revenue contributor, accounting for approximately 52.1%, 47.0%, 45.8%, 46.1% and 51.0% of our total revenue for each of the three years ended 31 December 2018 and four months ended 30 April 2018 and 2019 respectively.

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### 5.4 Other income

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
Claims received	147	38.0	118	89.4	400	89.3	57	83.8	92	92.5
Consultancy fee income	148	38.2	-	-	-	-	-	-	-	-
Interests on bank deposits	4	1.0	4	3.0	4	0.9	-	-	1	0.9
Others	88	22.8	10	7.6	44	9.8	11	16.2	7	6.6
<b>Total</b>	<b>387</b>	<b>100.0</b>	<b>132</b>	<b>100.0</b>	<b>448</b>	<b>100.0</b>	<b>68</b>	<b>100.0</b>	<b>100</b>	<b>100.0</b>

During the Track Record Period, our Group's other income included principally the claims received, consultancy fee income and others. Claims received mainly represented the amounts received from raw material suppliers due to deviation in fabric quality and air freight charges claims for contract manufacturers due to late shipment. Consultancy fee income was derived from the consulting services rendered to the Glad Garments Group by Lever Shirt to facilitate a smooth transition following the Disposal.

The relatively larger amount of others in 2016 was mainly due to the income derived from the disposal of leftover tools and scrap fabrics following the disposal of our former wholly-owned subsidiary, Glad Garments. Our other income decreased from approximately US\$0.4 million in 2016 to approximately US\$0.1 million in 2017, mainly due to the fact that we did not provide any consultancy services other than the one-off transaction in 2016. Our other income then increased by approximately US\$0.3 million in 2018, which resulted from the increase in claims received during the year. The rise in other income for the four months ended 30 April 2019 compared to the corresponding period in 2018 was attributable to the increased claims received during the period.

### 5.5 Other gains and losses

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Net exchange (loss)/gain	(155)	7	(136)	2	(33)
Gain on disposal of subsidiaries	2,012	-	-	-	-
Tax administrative penalty	-	-	(26)	-	-
<b>Total</b>	<b>1,857</b>	<b>7</b>	<b>(162)</b>	<b>2</b>	<b>(33)</b>

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Our Group's other gains and losses mainly consisted of net exchange gain/loss and gain on disposal of subsidiaries during the Track Record Period. The disposal of subsidiaries referred to the disposal of our former wholly-owned subsidiary, Glad Garments which was completed in August 2016. For more details of the disposal, please refer to the paragraph headed "Relationship with the Glad Garments Group" under the section headed "Business" of this prospectus and note 32 of the Accountants' Report contained in Appendix I to this prospectus.

### 5.6 Selling and distribution expenses

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
Product development, sales and distribution staff costs	4,198	55.0	5,094	46.7	5,812	44.1	1,834	48.6	2,343	52.6
Transportation and logistics expenses	1,220	15.9	1,909	17.5	2,810	21.3	740	19.6	1,006	22.5
Product development expenses	835	10.9	2,272	20.8	2,826	21.4	885	23.5	754	16.9
Declaration charge	692	9.1	527	4.8	715	5.4	24	0.6	80	1.8
Others	690	9.1	1,118	10.2	1,038	7.8	291	7.7	277	6.2
<b>Total</b>	<b>7,635</b>	<b>100.0</b>	<b>10,920</b>	<b>100.0</b>	<b>13,201</b>	<b>100.0</b>	<b>3,774</b>	<b>100.0</b>	<b>4,460</b>	<b>100.0</b>

Our Group's selling and distribution expenses mainly consisted of staff costs of product development, sales and merchandising and production management team, transportation costs arising from transportation of raw materials and finished goods and product development expenses. Our Group's selling and distribution expenses amounted to approximately US\$7.6 million, US\$10.9 million, US\$13.2 million, US\$3.8 million and US\$4.5 million for each of the three years ended 31 December 2018 and four months ended 30 April 2018 and 2019 respectively, representing approximately 7.6%, 10.8%, 11.4%, 10.8% and 12.0% of our total revenue for each of the corresponding years/periods.

The increasing trend in selling and distribution expenses was generally in line with the growth in our revenue and order volume over the course of the Track Record Period. In particular, our product development expenses, mainly consisting of sample materials and testing costs, experienced significant increase which resulted from our efforts to expand our apparel category portfolio and customer base.



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### 5.7 Administrative expenses

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
Administrative staff costs	4,037	49.7	3,843	48.4	3,869	44.1	1,336	45.2	1,583	48.2
Travelling and entertainment	946	11.6	837	10.5	1,218	13.9	435	14.7	408	12.4
Professional fees	888	10.9	932	11.7	1,008	11.5	331	11.2	452	13.8
Bank charges	575	7.1	616	7.7	803	9.1	239	8.1	286	8.7
Depreciation of right-of-use assets	503	6.2	571	7.2	563	6.4	194	6.5	184	5.6
Utilities	560	6.9	557	7.0	642	7.3	120	4.1	186	5.7
Others	621	7.6	595	7.5	677	7.7	302	10.2	184	5.6
<b>Total</b>	<b>8,130</b>	<b>100.0</b>	<b>7,951</b>	<b>100.0</b>	<b>8,780</b>	<b>100.0</b>	<b>2,957</b>	<b>100.0</b>	<b>3,283</b>	<b>100.0</b>

Our Group's administrative expenses mainly consisted of administrative staff costs, travelling and entertainment, professional fees, bank charges, depreciation of right-of-use assets and utilities. Our administrative expenses amounted to approximately US\$8.1 million, US\$8.0 million, US\$8.8 million, US\$3.0 million and US\$3.3 million for each of the three years ended 31 December 2018 and four months ended 30 April 2018 and 2019 respectively, representing approximately 8.1%, 7.9%, 7.6%, 8.5% and 8.8% of our revenue during the respective years/periods.

Our administrative staff cost in 2016 included the share-based payment expense in relation to share options granted to our Directors in January 2016, amounted to approximately US\$0.4 million. After adjusting the one off share-based payment expense, our administrative expenses showed an increasing trend which was generally in line with the increase in our revenue and we recorded a decreasing trend in our percentage of administrative expenses to revenue as our administrative staff costs remained relatively stable from 2016 to 2018. The higher administrative expenses for the four months ended 30 April 2019 compared to the corresponding period in 2018 was mainly attributable to the rise in administrative staff costs during the period.

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### 5.8 Finance costs

Our Group's finance costs incurred during the Track Record Period represented the interest on our bank borrowings. Our finance costs remained relatively stable at approximately US\$0.5 million for each of the three years ended 31 December 2018 and approximately US\$0.2 million for the four months ended 30 April 2018 and 2019 respectively. The bank borrowings were mainly used to fulfil our working capital requirements, such as financing our purchase of raw materials and payment to contract manufacturers.

### 5.9 Income tax expense

Income tax expense primarily consisted of current income tax expenses incurred during the Track Record Period. We recognised income tax expenses at the applicable statutory rates in accordance to the jurisdictions where we operate, which are Hong Kong and the PRC. Our income tax expenses amounted to approximately US\$0.5 million, US\$0.9 million, US\$1.3 million, US\$0.3 million and US\$0.3 million for each of the three years ended 31 December 2018 and four months ended 30 April 2018 and 2019 respectively. Our effective income tax rate, which represented income tax expense as a percentage of our profit before tax, amounted to approximately 11.2%, 17.3%, 16.2%, 14.9% and 20.1% for each of the three years ended 31 December 2018 and four months ended 30 April 2018 and 2019 respectively. The relatively low percentage in 2016 was mainly due to the non-taxable exchange gain arising from the disposal of subsidiaries. After adding back the non-recurring Listing expenses to profit before tax, the adjusted effective income tax rate amounted to approximately 15.7% and 13.7% for the year ended 31 December 2018 and four months ended 30 April 2019 respectively.

Hong Kong income tax expense was calculated at 16.5% of the estimated assessable profits for the two years ended 31 December 2017. In 2018 and the four months ended 30 April 2019, we reported our income tax expense under the two-tiered profits tax rates regime. In accordance with this regime, the first HK\$2.0 million of profits was taxed at 8.25%, and profits above HK\$2.0 million was taxed at 16.5%.

The PRC income tax expense was calculated at a rate of 25.0% during the Track Record Period. One of our Group's subsidiaries, Lever Design (Shenzhen) Co. Limited, was calculated at 15.0% tax rate during the Track Record Period as such subsidiary is situated in Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone and is qualified for a reduced tax rate.

Save as disclosed above, our Group was not subject to taxation in any other jurisdictions. During the Track Record Period and up to the Latest Practicable Date, other than details discussed in the paragraph headed "7.2.4 Tax reserve certificates" under this section, we had fulfilled all our tax obligations and did not have any unresolved tax disputes. For further details, please refer to the paragraph headed "7.2.4 Tax reserve certificates" under this section.

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### 5.10 Profit for the year/period

#### 5.10.1 Profit and net profit margin

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				<i>(Unaudited)</i>	
Revenue	100,596	100,795	115,886	34,985	37,203
Profit for the year/period	3,917	4,496	6,464	1,742	1,378
Net profit margin	3.9%	4.5%	5.6%	5.0%	3.7%

Our Group recorded profit for the year/period amounted to approximately US\$3.9 million, US\$4.5 million, US\$6.5 million, US\$1.7 million and US\$1.4 million for each of the three years ended 31 December 2018 and four months ended 30 April 2018 and 2019 respectively, representing net profit margins of approximately 3.9%, 4.5%, 5.6%, 5.0% and 3.7% respectively. From 2016 to 2018, we recorded an increase in our profit for the year with a CAGR of approximately 28.5%. The increase was mainly attributable to the increase in gross profit with a CAGR of approximately 28.2% while the selling and distribution expenses and administrative expenses of our Group, mainly consisting of staff costs, grew only slightly compared to our gross profit growth. The drop in profit for the period and net profit margin for the four months ended 30 April 2019 compared to the corresponding period in 2018 was mainly due to the non-recurring Listing expenses during the period.

#### 5.10.2 Non-HKFRS measure adjusted net profit and net profit margin

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				<i>(Unaudited)</i>	
Profit for the year/period	3,917	4,496	6,464	1,742	1,378
Adjusted for:					
Gain on disposal of subsidiaries	(2,012)	–	–	–	–
Listing expenses	–	–	287	–	810
Adjusted profit for the year/period	1,905	4,496	6,751	1,742	2,188
Adjusted net profit margin	1.9%	4.5%	5.8%	5.0%	5.9%

*Note:* The adjusted figures are for illustration purpose only and are not required under the HKFRSs and are non-HKFRS measures.

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To supplement the consolidated financial statements of our Group prepared in accordance with HKFRS, the non-HKFRS measures, namely adjusted profit for the year/period and adjusted net profit margin have been presented in this prospectus. These unaudited non-HKFRS financial measures should be considered in addition to, not as a substitute for, measures of our Group's financial performance prepared in accordance with HKFRS. Our Directors believe that the presentation of non-HKFRS financial measures when shown in conjunction with the corresponding HKFRS measures provides useful information to prospective investors regarding financial and business trends relating to our financial condition and results of operations that could otherwise be distorted by eliminating the impact of items that we do not consider indicative of the performance of our business and/or which we do not expect to be outstanding subsequent to the Listing.

For illustrative purpose, adjusted profit for the year/period is calculated by deducting the one-off gain on disposal of subsidiaries in 2016 and adding the non-recurring Listing expenses in 2018 and four months ended 30 April 2019 to the profit for the year/period. As a result, our adjusted profit for the year increased significantly with a CAGR of approximately 88.3% from 2016 to 2018 and the adjusted net profit margin increased from approximately 1.9% in 2016 to 5.8% in 2018. Our adjusted profit for the period and the adjusted net profit margin also increased from approximately US\$1.7 million and 5.0% for the four months ended 30 April 2018 to approximately US\$2.2 million and 5.9% for the four months ended 30 April 2019. Such improvement is a validation of our management's vision and reward for our efforts in realising our strategies.

### 6. LIQUIDITY AND FINANCIAL RESOURCES

During the Track Record Period, our working capital and other capital requirements were principally satisfied by cash generated from our operating and investing activities. The following table summarises our cash and cash equivalents movements for the years/periods indicated.

	Year ended 31 December			Four months ended 30 April	
	2016 US\$'000	2017 US\$'000	2018 US\$'000	2018 US\$'000	2019 US\$'000
				<i>(unaudited)</i>	
Cash and cash equivalents at the beginning of the year/period	2,003	1,844	2,903	2,903	3,143
Net cash from operating activities	7,320	6,079	4,941	3,847	2,745
Net cash used in investing activities	(1,223)	(661)	(126)	(46)	(80)
Net cash used in financing activities	(6,166)	(4,423)	(4,485)	(396)	(410)
Effect of foreign exchange rate changes	(90)	64	(90)	(29)	(2)
Cash and cash equivalents at the end of the year/period	1,844	2,903	3,143	6,279	5,396

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### 6.1 Cash flow from operating activities

Cash flow from operating activities reflected profit before tax for the year/period adjusted for (i) non-cash items such as finance costs, interest income, depreciation of plant and equipment, depreciation of right-of-use assets share-based payment expense and gain on disposal of subsidiaries; and (ii) effects of cash flows arising from increase or decrease in inventories, trade and bills receivables, trade and other payables and amount due to/from related companies, etc.

In 2016, our net cash generated from operating activities of approximately US\$7.3 million was primarily due to (i) profit before tax of approximately US\$4.4 million; and (ii) increase in trade and bills payables of approximately US\$16.6 million. The amount was partially offset by the increase in our inventories of approximately US\$7.4 million and increase in our trade and bills receivables of approximately US\$4.2 million.

In 2017, our net cash generated from operating activities of approximately US\$6.1 million was primarily due to the (i) profit before tax of approximately US\$5.4 million; (ii) decrease in amount due from a related company of approximately US\$1.9 million; and (iii) decrease in trade and bills receivables of approximately US\$3.9 million. The amount was partially offset by the decrease in our trade and bills payables of approximately US\$5.5 million. The drop in net cash generated from operating activities in 2017 compared to the previous year was mainly due to the negative impact on movement in working capital resulted from the decrease in trade and bills payables, partially offset by the decrease in trade and bills receivables during the year.

In 2018, our net cash generated from operating activities of approximately US\$4.9 million was primarily due to profit before tax of approximately US\$7.7 million and decrease in trade and bills receivables of approximately US\$5.9 million. The amount was partially offset by the increase in our trade receivables at fair value through other comprehensive income of approximately US\$6.7 million and increase in deposits, prepayments and other receivables of approximately US\$3.6 million. The slight decrease in cash flow generated from operating activities in 2018 was mainly due to the negative impact on operating cash flow resulted from the increase in deposits, prepayments and other receivables, partially offset by the increase in profits before tax in 2018 compared to the previous year.

For the four months ended 30 April 2018, our net cash generated from operating activities of approximately US\$3.8 million was primarily due to profit before tax of approximately US\$2.0 million and decrease in inventories of approximately US\$5.5 million. The amount was partially offset by the increase in our trade receivables at fair value through other comprehensive income of approximately US\$4.8 million.

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For the four months ended 30 April 2019, our net cash generated from operating activities of approximately US\$2.7 million was primarily due to (i) profit before tax of approximately US\$1.7 million; (ii) decrease in trade receivables at fair value through other comprehensive income of approximately US\$2.9 million; and (iii) decrease in trade and bills receivables of approximately US\$2.2 million. The amount was partially offset by the decrease in our trade and bills payables of approximately US\$3.2 million. The slight decrease in cash flow generated from operating activities for the four months ended 30 April 2019 was mainly due to the negative impact on operating cash flow resulted from the (i) decrease in inventories and trade and bills payables; and (ii) increase in deposits, prepayments and other receivables, partially offset by the decrease in trade receivables at fair value through other comprehensive income over the period.

### **6.2 Cash flow from investing activities**

Cash flow from investing activities represented advance/repayment to/from immediate holding company, purchase of plant and equipment, disposal of subsidiaries and interest received.

In 2016, our net cash used in investing activities amounted to approximately US\$1.2 million, which was primarily attributable to the purchase of plant and equipment of approximately US\$1.0 million.

In 2017, our net cash used in investing activities amounted to approximately US\$0.7 million, which was mainly attributable to the purchase of plant and equipment of approximately US\$0.7 million. The decrease in net cash outflow in 2017 was mainly due to the decrease in purchase of plant and equipment of approximately US\$0.3 million during the year.

In 2018, our net cash used in investing activities amounted to approximately US\$0.1 million, which was mainly attributable to the purchase of plant and equipment of approximately US\$0.1 million. The further decrease in net cash outflow in 2018 was mainly due to the decrease in purchase of plant and equipment of approximately US\$0.7 million in 2017 to approximately US\$0.1 million in 2018.

For the four months ended 30 April 2018 and 2019, our net cash used in investing activities amounted to approximately US\$46,000 and US\$80,000 respectively, which was mainly attributable to the purchase of plant and equipment. The increase in net cash outflow for the four months ended 30 April 2019 was mainly due to the increase in purchase of plant and equipment of approximately US\$35,000 during the period.

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### 6.3 Cash flow from financing activities

Cash flow from financing activities mainly included the movement in balances of bank borrowings and trust receipt loans, repayment of lease liabilities, advance/repayment from/to a Director and related companies and interest and dividend paid.

In 2016, our Group recorded net cash used in financing activities of approximately US\$6.2 million, which mainly resulted from repayment of bank borrowings and net repayment of trust receipt loans of approximately US\$44.8 million and US\$5.2 million respectively, partially offset by new bank borrowings raised amounted to approximately US\$44.3 million during the year.

In 2017, net cash used in financing activities amounted to approximately US\$4.4 million, which was mainly attributable to repayment of bank borrowings and net repayment of trust receipt loans of approximately US\$41.6 million and US\$2.5 million respectively, partially offset by new bank borrowings raised amounted to approximately US\$41.2 million during the year. The decrease in net cash used in financing activities in 2017 compared to the previous year was mainly due to the decrease in the net repayment of trust receipt loans of approximately US\$2.7 million during the year.

In 2018, net cash used in financing activities amounted to approximately US\$4.5 million, which was mainly attributable to repayment of bank borrowings of approximately US\$21.2 million and dividend paid of approximately US\$3.5 million, partially offset by new bank borrowings raised amounted to approximately US\$21.2 million during the year. Our net cash used in financing activities remained relatively stable in 2018 compared to the previous year.

For the four months ended 30 April 2018, net cash used in financing activities amounted to approximately US\$0.4 million, which was mainly attributable to repayment of bank borrowings and net repayment of trust receipt loans of approximately US\$8.9 million and US\$1.3 million respectively, partially offset by new bank borrowings raised amounted to approximately US\$9.8 million during the period.

For the four months ended 30 April 2019, net cash used in financing activities amounted to approximately US\$0.4 million, which was mainly attributable to repayment of bank borrowings of approximately US\$5.3 million and repayment to related companies of approximately US\$0.7 million, partially offset by new bank borrowings raised amounted to approximately US\$5.5 million during the period. The net cash used in financing activities for the four months ended 30 April 2019 remained relatively stable as compared to the corresponding period in 2018.

For further details of our cash flow movement, please refer to the combined statements of cash flows under the Accountants' Report contained in Appendix I to this prospectus.



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### 6.4 Working capital

Our Directors are of the opinion, and the Sponsor concurs, that taking into consideration the financial resources presently available to our Group, including internally generated funds, bank facilities and the estimated net proceeds from the Global Offering, the working capital available to our Group is sufficient for our present requirements, that is, for at least the next 12 months from the date of this prospectus.

## 7. SELECTED ITEMS OF STATEMENTS OF FINANCIAL POSITION

### 7.1 Non-current assets

Our non-current assets represented plant and equipment and right-of-use assets. Plant and equipment consisted of leasehold improvements, furniture, fixtures and equipment, computer equipment and motor vehicles. The carrying amount of plant and equipment increased from approximately US\$0.9 million as at 31 December 2016 to approximately US\$1.3 million as at 31 December 2017, primarily attributable to the additions of computer equipment of approximately US\$0.3 million and motor vehicles of approximately US\$0.2 million. The carrying amount of the plant and equipment decreased to approximately US\$1.1 million as at 31 December 2018 due to the combined effects of the additions of computer equipment of approximately US\$0.1 million and the depreciation of plant and equipment of approximately US\$0.3 million. Our plant and equipment as at 30 April 2019 remained relatively stable at approximately US\$1.0 million.

Right-of-use assets represented the carrying amount of our Group's rented premises under our non-cancellable lease agreements as at 31 December 2016, 2017 and 2018 and 30 April 2019. The carrying amount of our right-of-use assets dropped from approximately US\$2.0 million as at 31 December 2016 to approximately US\$0.8 million as at 30 April 2019. The decreasing balance over the course of the Track Record Period was mainly attributable to the depreciation provided for the year/period, which amounted to approximately US\$0.5 million for each of the three years ended 31 December 2018 and approximately US\$0.2 million for the four months ended 30 April 2019.

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### 7.2 Net current assets

The following table sets out our net current assets as at the dates indicated.

	As at 31 December			As at	As at
	2016	2017	2018	30 April	31 August
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
					<i>(unaudited)</i>
<b>Current assets</b>					
Inventories	16,364	17,016	15,316	14,900	17,883
Trade and bills receivables	17,799	14,115	7,899	5,705	7,506
Trade receivables at fair value through other comprehensive income	–	–	6,667	3,788	8,752
Deposits, prepayments and other receivables	3,301	3,936	7,573	9,823	9,660
Tax reserve certificates	590	651	650	648	–
Tax recoverable	–	8	77	87	54
Amounts due from Directors	–	327	–	–	–
Amount due from immediate holding company	2	–	–	–	–
Amounts due from a related company	1,907	–	–	–	–
Bank balances and cash	1,844	2,903	3,143	5,396	3,148
	<u>41,807</u>	<u>38,956</u>	<u>41,325</u>	<u>40,347</u>	<u>47,003</u>
<b>Current liabilities</b>					
Trade and bills payables	20,844	15,212	14,241	11,021	13,618
Other payables and accruals	1,288	2,367	2,789	3,436	2,779
Contract liabilities	108	81	611	467	419
Lease liabilities	549	543	543	564	807
Amount due to a Director	–	95	–	–	–
Amounts due to related companies	757	174	728	–	–
Dividend payable	–	3,526	2,869	2,859	1,370
Tax payables	236	563	446	811	1,148
Bank borrowings	10,401	7,436	7,156	7,821	11,521
	<u>34,183</u>	<u>29,997</u>	<u>29,383</u>	<u>26,979</u>	<u>31,662</u>
<b>Net current assets</b>	<u>7,624</u>	<u>8,959</u>	<u>11,942</u>	<u>13,368</u>	<u>15,341</u>

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Our Group's net current assets increased from approximately US\$7.6 million as at 31 December 2016 to approximately US\$9.0 million as at 31 December 2017. The rise was mainly attributable to the drop in our bank borrowings and trade and bill payables, partially offset by the presence of dividend payable as at 2017 year end.

Our net current assets further increased from approximately US\$9.0 million as at 31 December 2017 to approximately US\$11.9 million as at 31 December 2018, representing a growth of approximately 33.3%, mainly due to the rise in deposits, prepayments and other receivables and bank balances and cash. The improvement in our net asset position was generally in line with the overall expansion of our business operations. Our net current asset position further rose to approximately US\$13.4 million as at 30 April 2019 as we recorded a higher balance of deposits, prepayments and other receivables and lower balance of trade and bills payables, compared to 31 December 2018. Our net current assets increased slightly to approximately US\$15.3 million as at 31 August 2019, mainly attributable to the increase in inventories and trade receivables, partly offset by the increase in bank borrowings. Please refer to paragraph headed "9.1 Bank borrowings" under this section for further details on our bank borrowings as at 31 August 2019.

### 7.2.1 Inventories

	As at 31 December			As at
	2016	2017	2018	30 April
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>2019</i> <i>US\$'000</i>
Raw materials	2,224	1,007	981	1,305
Work in progress				
– Raw material costs	12,973	15,288	13,359	13,050
– Accrued subcontracting fees	380	450	460	186
	<u>13,353</u>	<u>15,738</u>	<u>13,819</u>	<u>13,236</u>
Sub-total				
Finished goods	787	271	516	359
	<u>16,364</u>	<u>17,016</u>	<u>15,316</u>	<u>14,900</u>
<b>Total</b>	<b><u>16,364</u></b>	<b><u>17,016</u></b>	<b><u>15,316</u></b>	<b><u>14,900</u></b>

Inventories consisted of raw materials, work in progress and finished goods. Raw materials represented main materials such as fabric and ancillary materials such as buttons and threads. Work in progress represented the partially finished goods being processed by the contract manufacturers. The work in progress amount comprises raw material costs and accrued subcontracting fees. The amount of raw material costs is based on actual cost of purchase, while the amount of accrued subcontracting fees is the estimated cost of subcontracting services on the inventories which are in the progress of production by the subcontractors, which is calculated based on estimated daily subcontracting cost incurred with reference to the expected length of production of

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different categories of apparel products. The length of production is in turn estimated based on our historical experience. Finished goods represented the apparel products to be shipped to customers. The balance as at each year/period end is subject to the order volume of purchase orders scheduled for delivery in the first quarter of the following year/period.

The slight increase in our inventories at the end of 2017 corresponds to our growth in revenue in 2018. Our decrease in inventories of approximately 10.0% as at the end of 2018 compared to the end of 2017 was mainly due to lower order volume from purchase orders involving relatively longer production lead time at the relevant time. Our inventory level remained relatively stable as at 30 April 2019. During the Track Record Period, our Group did not record any impairment loss on inventories.

As at the Latest Practicable Date, approximately US\$16.3 million, US\$17.0 million, US\$15.2 million and US\$14.4 million representing approximately 100.0%, 100.0%, 99.7% and 96.7% of our inventories as at 31 December 2016, 2017 and 2018 and 30 April 2019 had been used or consumed respectively.

### 7.2.2 Trade and bills receivables

	As at 31 December			As at
	2016	2017	2018	30 April 2019
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables	15,798	12,294	4,004	3,448
Bills receivables	1,963	1,092	1,976	170
Bills receivables discounted with recourse	38	729	1,919	2,087
Sub-total	17,799	14,115	7,899	5,705
Trade receivables at fair value through other comprehensive income	–	–	6,667	3,788
<b>Total</b>	<b>17,799</b>	<b>14,115</b>	<b>14,566</b>	<b>9,493</b>

Our total trade and bills receivables consisted of trade receivables, bills receivables, bills receivables discounted with recourse and trade receivables at fair value through other comprehensive income, which amounted to approximately US\$17.8 million, US\$14.1 million, US\$14.6 million and US\$9.5 million as at 31 December 2016, 2017 and 2018 and 30 April 2019 respectively. During the Track Record Period, as part of our liquidity and credit risk management, we have entered into factoring arrangements with financial institutions for some of our trade receivables. Upon adoption of HKFRS 9 on

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1 January 2018, the amount of trade receivables under factoring agreement amounted to approximately US\$6.7 million and US\$3.8 million of our trade receivables as at 31 December 2018 and 30 April 2019 respectively, which have been reclassified to trade receivables at fair value through other comprehensive income.

The balance of our total trade and bills receivables is subject to the relevant order volume and repayment status as at respective year/period end. The drop in our total trade and bills receivables balance as at 31 December 2017 compared to the end of 2016 was mainly due to the combined effects of the rise in purchase orders from customers who had existing factoring arrangement with financial institutions and the increase in the number of customers involved in factoring agreements during the year, which led to the increased amount of sales entered into factoring with financial institutions during the year, and thus, reduced the outstanding trade receivables amount as at 2017 year end compared to the previous year. The lower trade and bills receivables as at 30 April 2019 was mainly due to the fact that sales amount in March and April is generally lower than that of November and December, resulting in fewer trade receivables as at 30 April compared to that as at year end.

During the Track Record Period, the amount of trade receivables factored with non-recourse to financial institutions amounted to approximately US\$39.3 million, US\$43.1 million, US\$78.5 million and US\$24.4 million for each of the three years ended 31 December 2018 and four months ended 30 April 2019 respectively, to financial institutions on a non-recourse basis, and such factored receivables have been derecognised upon the factoring on the basis that our Group transferred substantially all the risks and rewards of ownership of the trade receivables to the financial institutions.

Before the application of HKFRS 9 on 1 January 2018, the trade receivables which were under the factoring arrangement of our Group but not yet factored at the end of the reporting period were carried at amortised cost under HKAS 39 and included in “trade and bills receivables” at the end of each reporting period. Upon the application of HKFRS 9, since (i) these trade receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and (ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, these trade receivables shall be measured at fair value through other comprehensive income and included in “trade receivables at fair value through other comprehensive income”. For the trade receivables factored with non-recourse, these trade receivables have been consistently derecognised before and after the adoption of HKFRS 9. According to HKAS 39.17 and HKFRS 9.3.2.3, our Group shall derecognise these trade receivables when the contractual rights to the cash flows from the trade receivable expires, i.e. our Group has transferred substantially all the risks and rewards to the relevant counterparties. Please refer to notes 18 and 19 of the Accountants’ Report contained in Appendix I to this prospectus for details of the accounting treatment on factored trade receivables.

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The following table sets out the aging analysis of our total trade receivables and trade receivables at fair value through other comprehensive income, based on invoice date, as at the end of each year/period during the Track Record Period.

	As at 31 December						As at 30 April	
	2016		2017		2018		2019	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
0-30 days	14,557	92.2	10,508	85.5	8,862	83.0	2,848	39.4
31-60 days	573	3.6	521	4.2	1,175	11.1	2,963	40.9
Over 60 days	668	4.2	1,265	10.3	634	5.9	1,425	19.7
<b>Total</b>	<b>15,798</b>	<b>100.0</b>	<b>12,294</b>	<b>100.0</b>	<b>10,671</b>	<b>100.0</b>	<b>7,236</b>	<b>100.0</b>

The following table sets out the aging analysis of trade receivables which were past due but not impaired.

	As at 31 December						As at 30 April	
	2016		2017		2018		2019	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
Neither past due nor impaired	14,084	89.1	10,527	85.6	9,750	91.4	5,395	74.6
1-30 days past due	516	3.3	500	4.1	601	5.6	1,020	14.1
31-60 days past due	553	3.5	979	8.0	149	1.4	58	0.8
Over 60 days past due	645	4.1	288	2.3	171	1.6	763	10.5
<b>Total</b>	<b>15,798</b>	<b>100.0</b>	<b>12,294</b>	<b>100.0</b>	<b>10,671</b>	<b>100.0</b>	<b>7,236</b>	<b>100.0</b>

Our Group has a credit policy which normally allows credit periods of 30 to 60 days for our customers. Our Group maintained structured and strict control over outstanding receivables. All overdue balances are reviewed regularly by our management team. We assessed the credit terms on a case-by-case basis, considering the customers' creditworthiness, prior history, the scale of customer and additional information specific to the customer as well as the economic environment in which the customer operates. During the Track Record Period, approximately 95.8%, 89.7%, 94.1% and 80.3% of our trade receivables fell within a credit period of 60 days for each of the three years ended 31 December 2018 and four months ended 30 April 2019 respectively.

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The trade receivables which were past due but not impaired amounted to approximately US\$1.7 million, US\$1.8 million, US\$0.9 million and US\$1.8 million, representing approximately 10.9%, 14.4%, 8.6% and 25.4% of total trade receivables as at 31 December 2016, 2017 and 2018 and 30 April 2019 respectively. Such trade receivables balances represented receivables from our long term and/or reputable customers who maintained payment record satisfactory to our management.

No credit period is offered for sales to be settled by bills, carrying interest at market rates. Bills receivables represented bank acceptance notes and the average aging based on the maturity date is 30 to 60 days. We believe that no impairment allowance on bills receivables is necessary as there is no significant change in credit quality and the balances are still considered fully recoverable.

Upon adoption of HKFRS 9 on 1 January 2018, our Group applied the simplified approach to provide for expected credit losses. Our trade and bills receivables were assessed individually for impairment allowance based on the historical credit losses experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each reporting period, including time value of money where appropriate. Based on the our assessment on trade and bills receivables, we believe no impairment allowance is necessary in respect of these balances and these balances are still considered fully recoverable.

As at the Latest Practicable Date, approximately US\$15.8 million, US\$12.3 million, US\$10.7 million and US\$7.2 million, representing approximately 100.0%, 100.0%, 100.0% and 99.5% of our trade and bills receivables as at 31 December 2016, 2017 and 2018 and 30 April 2019 had been subsequently settled respectively.

### *7.2.3 Deposits, prepayments and other receivables*

	<b>As at 31 December</b>			<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>30 April</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Deposits	115	149	128	133
Prepayments to supplier	2,480	3,147	6,996	8,848
Other receivables	706	640	350	275
Deferred listing expenses	–	–	99	567
<b>Total</b>	<b>3,301</b>	<b>3,936</b>	<b>7,573</b>	<b>9,823</b>



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Our Group's deposits, prepayments and other receivables amounted to approximately US\$3.3 million, US\$3.9 million, US\$7.6 million and US\$9.8 million as at 31 December 2016, 2017 and 2018 and 30 April 2019 respectively. Prepayments to supplier represented the deposits paid to our suppliers for purchasing materials as well as subcontracting services, the balance as at each year/period end is therefore subject to the relevant order volume of purchase orders scheduled for delivery in the coming months following year/period end.

The increasing trend in our prepayments to supplier as at each year/period end during the Track Record Period was mainly due to the increase in purchase orders as a result of our business expansion. The increase in revenue contributed by our major customers also contributed to such rise as some of our major customers generally nominate materials suppliers to ensure fabric standard. Their status of being a customer's designated supplier have limited our bargaining power in respect of payment and credit terms. During the Track Record Period, some of these materials suppliers, especially fabrics mills based in Europe, requested for full payment before shipment.

### *7.2.4 Tax reserve certificates*

The tax reserve certificates as at 31 December 2016, 2017 and 2018 and 30 April 2019 are related to a tax review initiated by the Inland Revenue Department (“**IRD**”) of Hong Kong for periods prior to the Track Record Period in respect of Lever Shirt and Levertex on the years of assessment from 2006/07 to 2010/11. As at the Latest Practicable Date, the audit on Lever Shirt and Levertex has concluded whereby the IRD had only levied an administrative penalty of approximately HK\$205,000 (equivalent to approximately US\$26,200) and no adjustment to the assessable profit is necessary for Lever Shirt and Levertex. Other than such penalty, the IRD had not taken any action on Lever Shirt and Levertex. For details, please refer to the paragraph headed “Import processing arrangements” under the section headed “Business” of this prospectus. As at the Latest Practicable Date, our Group has redeemed and received the full amount of the tax reserve certificates.

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### 7.2.5 Amount(s) due from Directors, immediate holding company and a related company

	As at 31 December			As at
	2016	2017	2018	30 April
	US\$'000	US\$'000	US\$'000	2019
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Amounts due from</b>				
<b>Directors</b>				
– Dr. Chan	–	204	–	–
– Mr. Lee	–	123	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Amount due from</b>				
<b>immediate holding</b>				
<b>company</b>				
– Lever Style Holdings Limited	2	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Amount due from a</b>				
<b>related company</b>				
– Lever Shirt (Shenzhen) Company Limited	1,907	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>1,909</u>	<u>327</u>	<u>–</u>	<u>–</u>

Our amounts due from Directors mainly derived from the allotment of 8.0% shares of Lever Style Inc. to Dr. Chan and Mr. Lee in 2017. The amounts were of non-trade nature, unsecured, interest-free and repayable on demand and were fully repaid as at 31 December 2018.

Our amounts due from a related company represented the amounts derived from the sale of raw materials to Lever Shirt (Shenzhen) Company Limited who is an affiliate of the Glad Garments. For further details, please refer to the paragraph headed “Relationship with the Glad Garments Group” under the section headed “Business” of this prospectus. The amount was unsecured and interest-free with a credit period of up to 60 days. The amounts were fully repaid as at 31 December 2017.

Please refer to note 22 of the Accountants’ Report contained in Appendix I to this prospectus for details of amount(s) due from Directors, immediate holding company and a related company.

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### 7.2.6 Trade and bills payables

	As at 31 December			As at
	2016	2017	2018	30 April
	US\$'000	US\$'000	US\$'000	2019 US\$'000
Trade payables	20,492	15,205	13,613	10,516
Bills payables	352	7	628	505
<b>Total</b>	<b>20,844</b>	<b>15,212</b>	<b>14,241</b>	<b>11,021</b>

Our Group's trade and bills payables amounted to approximately US\$20.8 million, US\$15.2 million, US\$14.2 million and US\$11.0 million as at 31 December 2016, 2017 and 2018 and 30 April 2019 respectively. The decreasing trend in our trade and bills payables during the Track Record Period corresponded to the increase in prepayments, which resulted from the rise in revenue contribution from some of our major customers that appointed designated materials suppliers, who during the Track Record Period, requested for full payment before shipment. Please refer to the paragraph headed "7.2.3 Deposits, prepayments and other receivables" under this section for further details regarding the increase in prepayments to supplier during the Track Record Period.

The following table sets out the aging analysis of our trade payables based on the invoice dates, as at the end of each year/period during the Track Record Period.

	As at 31 December						As at 30 April	
	2016		2017		2018		2019	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
0-30 days	19,254	94.0	10,895	71.7	12,536	92.1	8,695	82.7
31-60 days	998	4.9	1,298	8.5	951	7.0	1,234	11.7
Over 60 days	240	1.1	3,012	19.8	126	0.9	587	5.6
<b>Total</b>	<b>20,492</b>	<b>100.0</b>	<b>15,205</b>	<b>100.0</b>	<b>13,613</b>	<b>100.0</b>	<b>10,516</b>	<b>100.0</b>

Our creditors normally grant us credit terms up to 60 days. During the Track Record Period, approximately 98.9%, 80.2%, 99.1% and 94.4% of our trade payables fell within a credit period of 60 days for each of the three years ended 31 December 2018 and four months ended 30 April 2019 respectively.

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As at the Latest Practicable Date, approximately US\$20.5 million, US\$15.2 million, US\$13.6 million and US\$10.5 million, representing approximately 100.0%, 100.0%, 100.0% and 100.0% of our payables as at 31 December 2016, 2017 and 2018 and 30 April 2019 had been subsequently settled respectively.

### 7.2.7 Other payables and accruals

	As at 31 December			As at
	2016	2017	2018	30 April
	US\$'000	US\$'000	US\$'000	2019 US\$'000
Other payables	299	575	620	296
Accrued staff costs	836	1,429	1,792	2,084
Other accruals	153	363	214	510
Accrued share issue costs	—	—	163	546
<b>Total</b>	<b>1,288</b>	<b>2,367</b>	<b>2,789</b>	<b>3,436</b>

Our Group's other payables and accruals mainly represented accrued staff costs including employees' benefits, bonus and other expenses. The increase in our other payables and accruals was mainly attributable to the increase in our accrued staff costs resulting from the increase in the amount of performance related bonus during the Track Record Period.

### 7.2.8 Amounts due to related companies

	As at 31 December			As at	As at
	2016	2017	2018	30 April	31 August
	US\$'000	US\$'000	US\$'000	2019 US\$'000	2019 US\$'000
<i>(unaudited)</i>					
<b>Amounts due to related companies</b>					
– Artigas Company Limited	13	—	—	—	—
– Enos Limited	201	—	—	—	—
– Han Jingyi Holding (HK) Limited	188	—	—	—	—
– Hui Zhou Bo Kang Hua Enterprises Co. Ltd.	355	174	728	—	—
	<b>757</b>	<b>174</b>	<b>728</b>	<b>—</b>	<b>—</b>

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Our amounts due to related companies mainly represented a loan provided by Hui Zhou Bo Kang Hua Enterprises Co. Ltd. (indirectly wholly-owned subsidiary by Mr. Szeto) to support our Group's general working capital, which was of non-trade nature, unsecured, interest-free and repayable on demand. All the amounts due to related companies as at 31 December 2018 have been subsequently settled. Please refer to note 22 of the Accountants' Report contained in Appendix I to this prospectus for details of amounts due to related companies.

### 8. KEY FINANCIAL RATIOS

	As at/Year ended 31 December			As at/Four months ended	
				30 April	
	2016	2017	2018	2018	2019
Gross profit margin <sup>(Note 1)</sup>	18.3%	24.5%	26.1%	25.3%	28.1%
Net profit margin <sup>(Note 2)</sup>	3.9%	4.5%	5.6%	5.0%	3.7%
Return on equity <sup>(Note 3)</sup>	43.5%	42.0%	48.0%	N/A	27.8%
Return on total assets <sup>(Note 4)</sup>	8.8%	10.8%	14.9%	N/A	9.8%
Current ratio <sup>(Note 5)</sup>	1.2 times	1.3 times	1.4 times	N/A	1.5 times
Quick ratio <sup>(Note 6)</sup>	0.7 times	0.7 times	0.9 times	N/A	0.9 times
Inventory turnover days <sup>(Note 7)</sup>	62.7 days	80.1 days	68.9 days	N/A	68.7 days
Debtors' turnover days <sup>(Note 8)</sup>	57.4 days	57.8 days	45.2 days	N/A	39.3 days
Creditors' turnover days <sup>(Note 9)</sup>	65.6 days	86.5 days	62.8 days	N/A	57.5 days
Gearing ratio <sup>(Note 10)</sup>	116.0%	71.3%	53.6%	N/A	52.9%
Debt to equity ratio <sup>(Note 11)</sup>	95.5%	44.2%	30.3%	N/A	16.6%
Interest coverage <sup>(Note 12)</sup>	10.1 times	11.3 times	14.8 times	14.6 times	7.8 times

*Notes:*

- Gross profit margin for each financial year/period was calculated based on the gross profit for the year/period divided by the revenue for the respective year/period. Please refer to the paragraph headed "5.3 Gross profit and gross profit margin" under this section for further details.
- Net profit margin for each financial year/period was calculated based on the profit for the year/period divided by the revenue for the respective year/period. Please refer to the paragraph headed "5.10 Profit for the year/period" under this section for further details.
- Return on equity for each financial year/period was calculated based on the profit for the year/period (annualised) divided by the total equity as at the end of the respective year/period.
- Return on total assets for each financial year/period was calculated based on the profit for the year/period (annualised) divided by the total assets as at the end of the respective year/period.
- Current ratio was calculated based on the total current assets divided by the total current liabilities as at the end of each respective year/period.
- Quick ratio was calculated based on the total current assets minus inventories divided by the total current liabilities as at the end of each respective year/period.
- Inventory turnover days was calculated based on the average of the beginning and ending balance of inventories of a given year/period divided by the cost of sales for the corresponding year/period multiplied by the number of calendar days of the year/period.

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8. Debtors' turnover days was calculated based on the average of the beginning and ending balance of the total trade and bills receivables (including trade receivables at fair value through other comprehensive income) of a given year/period divided by the revenue for the corresponding year/period multiplied by the number of calendar days of the year/period.
9. Creditors' turnover days was calculated based on the average of beginning and ending balance of the total trade and bills payables of a given year/period divided by the cost of sales for the corresponding year/period multiplied by the number of calendar days of the year/period.
10. Gearing ratio was calculated based on the total debts (bank borrowings and amount due to a Director) divided by the total equity as at the end of each respective year/period. Total debts are defined to include payables incurred not in the ordinary course of business.
11. Debt to equity ratio was calculated based on the net debts (total debts net of cash and bank balances) divided by the total equity as at the end of each respective year/period.
12. Interest coverage was calculated based on the profit before interest and tax divided by the finance costs of the respective year/period.

### 8.1 Return on equity

Our return on equity was approximately 43.5%, 42.0%, 48.0% and 27.8% for each of the three years ended 31 December 2018 and four months ended 30 April 2019 respectively. The return on equity for the four months ended 30 April 2019 was calculated based on the annualised profit for the period. The decrease in our return on equity in 2017 from the prior year was mainly due to the absence of the one-off gain on disposal of subsidiaries in 2016 of approximately US\$2.0 million. After adjusting for this one-off gain, our return on equity would have recorded at approximately 21.1% in 2016, representing an approximately half of that of 2017, mainly due to the increase in our adjusted profit for 2017. After adjusting for the non-recurring Listing expenses, our adjusted return on equity for 2018 and the four months ended 30 April 2019 would be approximately 50.2% and 44.1% respectively. The higher adjusted return on equity for 2018 was mainly attributable to the dividends of approximately US\$3.2 million declared during the year, which reduced our equity balance as at 31 December 2018. For further details of adjusted net profit, please refer to the paragraph headed "5.10 Profit for the year/period" under this section.

### 8.2 Return on total assets

Our return on total assets was approximately 8.8%, 10.8%, 14.9% and 9.8% for each of the three years ended 31 December 2018 and four months ended 30 April 2019 respectively. The return on total assets for the four months ended 30 April 2019 was calculated based on the annualised profit for the period. After adjusting the abovementioned one-off gain on disposal of subsidiaries, our return on total assets would have recorded at approximately 4.3% in 2016. After adjusting for the non-recurring Listing expenses, our adjusted return on total assets would be approximately 15.6% for both 2018 and the four months ended 30 April 2019 respectively. The movement in our adjusted return on total assets was generally in line with our adjusted net profit growth during the Track Record Period. For further details of our adjusted net profit, please refer to the paragraph headed "5.10 Profit for the year/period" under this section.

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### 8.3 Current ratio

Our current ratio experienced an increasing trend at approximately 1.2 times, 1.3 times, 1.4 times and 1.5 times as at 31 December 2016, 2017 and 2018 and 30 April 2019 respectively, which was mainly attributable to the combined effects of the increase in cash and bank balances and the general reduction in current portion of bank borrowings over the course of the Track Record Period. The increase in our current ratio reflects an overall improvement in our financial position, which corresponds to our decreasing gearing ratio as discussed in the paragraph headed “8.8 Gearing ratio” under this section.

### 8.4 Quick ratio

Our quick ratio remained relatively stable at approximately 0.7 times as at 31 December 2016 and 2017 and 0.9 times as at 31 December 2018 and 30 April 2019 respectively. The relatively low quick ratio in 2016 and 2017 was mainly due to higher inventory balance as at 2016 and 2017 year end compared to other year/period as discussed in the paragraph headed “7.2.1 Inventories” under this section.

### 8.5 Inventory turnover days

Our inventory turnover days was approximately 62.7 days, 80.1 days, 68.9 days, 68.7 days for each of the three years ended 31 December 2018 and four months ended 30 April 2019 respectively. The increase in our inventory turnover days in 2017 was due to the combined effects of the increase in inventory balance at the end of 2017 and the decrease in cost of sales resulted from the disposal of our own manufacturing facilities in 2016. The decrease in our inventory turnover days in 2018 reflected the overall trend of small batch orders and short production cycle in the apparel industry. Our inventory turnover days for the four months ended 30 April 2019 remained relatively stable. For further details of our inventories, please refer to the paragraph headed “7.2.1 Inventories” under this section.

### 8.6 Debtors' turnover days

Our debtors' turnover days remained relatively stable at approximately 57.4 days and 57.8 days for the year ended 31 December 2016 and 2017 respectively. Our debtors' turnover days dropped to approximately 45.2 days and 39.3 days for the year ended 31 December 2018 and the four months ended 30 April 2019 respectively due to the decrease in our total trade and bills receivables as at the respective year/period end, resulting from the increase in the amount of sales that we had entered into factoring agreement with financial institutions during the year/period.



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### 8.7 Creditors' turnover days

Our creditors' turnover days was approximately 65.6 days, 86.5 days, 62.8 days and 57.5 days for each of the three years ended 31 December 2018 and four months ended 30 April 2019 respectively. After adjusting for the manufacturing costs of our self-operated production facilities which had been disposed of in 2016, we would have recorded adjusted creditors' turnover days of approximately 79.3 days for the year ended 31 December 2016. Our generally high creditors' turnover days for each of the three years ended 31 December 2018 was mainly due to the fact that we normally receive large order volume from customers scheduled for shipment before the Chinese New Year, resulting in larger balance of purchase of raw materials and finished goods near the year end to accommodate the sales orders. The significant drop in our creditors' turnover days as at 31 December 2018 and 30 April 2019 was mainly attributable to the increase in our cost of sales for the respective year/period which was in line with our business expansion, while our trade and bills payable balance as at year/period end decreased corresponding to the increase in the balance of our prepayments. For details regarding our trade and bills payable, please refer to the paragraph headed "7.2.6 Trade and bills payables" under this section.

### 8.8 Gearing ratio

Our gearing ratio was approximately 116.0%, 71.3%, 53.6% and 52.9% as at 31 December 2016, 2017 and 2018 and 30 April 2019 respectively. The decreasing trend of our gearing ratio was mainly attributable to the combined effects of the decrease in bank borrowings from approximately US\$10.5 million as at 31 December 2016 to approximately US\$7.9 million as at 30 April 2019 and the increase of our equity base brought about by our increasing profitability over the course of the Track Record Period.

### 8.9 Debt to equity ratio

Our debt to equity ratio was approximately 95.5%, 44.2%, 30.3% and 16.6% as at 31 December 2016, 2017 and 2018 and 30 April 2019 respectively. The movement of our debt to equity ratio was generally in line with the decreasing trend of our gearing ratio during the Track Record Period. The decreasing trend of debt to equity ratio was further enhanced by the general increase in cash and bank balances over the course of the Track Record Period. The significant drop in our debt to equity ratio as at 30 April 2019 was caused by the rise in cash and bank balances from approximately US\$3.1 million as at 31 December 2018 to approximately US\$5.4 million as at 30 April 2019.

### 8.10 Interest coverage

Our interest coverage was approximately 10.1 times, 11.3 times, 14.8 times, 14.6 times and 7.8 times for the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019 respectively. After adjusting for the non-recurring Listing expenses, our adjusted interest coverage for 2018 and the four months ended 30 April 2019 would be approximately 15.3 times and 11.0 times respectively. The increasing trend of our interest

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coverage for the three years ended 31 December 2018 was mainly attributable to our increasing profitability while our level of our finance costs remained relatively stable. The lower adjusted interest coverage for the four months ended 30 April 2019 as compared to the year ended 31 December 2018 was resulted from the relatively higher debt level for the period.

### 9. INDEBTEDNESS

The following table sets out our total indebtedness as at the dates indicated during Track Record Period and up to 31 August 2019.

	As at 31 December			As at 30 April	As at 31 August
	2016	2017	2018	2019	2019
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
					<i>(unaudited)</i>
<b>Non-current portion</b>					
Bank borrowings	53	94	64	52	43
Lease liabilities	1,429	949	392	216	607
	<u>1,482</u>	<u>1,043</u>	<u>456</u>	<u>268</u>	<u>650</u>
<b>Current portion</b>					
Bank borrowings	10,401	7,436	7,156	7,821	11,521
Lease liabilities	549	543	543	564	807
Amount due to a Director	–	95	–	–	–
	<u>10,950</u>	<u>8,074</u>	<u>7,699</u>	<u>8,385</u>	<u>12,328</u>
<b>Total</b>	<u><u>12,432</u></u>	<u><u>9,117</u></u>	<u><u>8,155</u></u>	<u><u>8,653</u></u>	<u><u>12,978</u></u>

Our indebtedness consisted of bank borrowings, lease liabilities and amount due to a Director during the Track Record Period and up to 31 August 2019. Our amount due to a Director of approximately US\$95,000 as at 31 December 2017 represented the amount we received on behalf of Mr. Szeto, the Chairman, which was of non-trade nature, unsecured, interest-free and repayable on demand. The amount was fully repaid as at 31 December 2018.

The decrease in our indebtedness during the Track Record Period was mainly due to the general decrease in bank borrowings from approximately US\$10.5 million as at 31 December 2016 to approximately US\$7.9 million as at 30 April 2019. Our increase in indebtedness as at 31 August 2019 was mainly due to the increase in our current portion of bank borrowings to approximately US\$11.5 million.

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### 9.1 Bank borrowings

The following table sets forth the details of our bank borrowings as at the dates indicated:

	As at 31 December			As at	As at
	2016	2017	2018	30 April	31 August
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>2019</i>	<i>2019</i>
				<i>US\$'000</i>	<i>US\$'000</i>
					<i>(unaudited)</i>
<b>Bank borrowings:</b>					
Bank loans	2,193	1,774	2,653	2,873	2,086
Trust receipt loans	8,261	5,756	4,567	5,000	9,478
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total</b>	<u>10,454</u>	<u>7,530</u>	<u>7,220</u>	<u>7,873</u>	<u>11,564</u>
<b>Bank borrowings:</b>					
Secured	104	853	2,014	2,171	1,447
Unsecured	10,350	6,677	5,206	5,702	10,117
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total</b>	<u>10,454</u>	<u>7,530</u>	<u>7,220</u>	<u>7,873</u>	<u>11,564</u>

Our Group obtained bank facilities primarily to fulfil our working capital requirements and to finance our purchase of raw materials and payment to contract manufacturers. Our bank borrowings decreased from approximately US\$10.5 million as at 31 December 2016 to approximately US\$7.5 million as at 31 December 2017 and further decreased to approximately US\$7.2 million as at 31 December 2018. The decrease was mainly due to the reduction in the use of trust receipt loans. Our bank borrowings rose to approximately US\$7.9 million and US\$11.6 million as at 30 April 2019 and 31 August 2019 respectively. The increase as at 31 August 2019 compared to that as at 30 April 2019 was mainly due to the rise in trust receipt loans of approximately US\$4.5 million, resulted from the increased working capital requirement for the purchase of raw materials to be used and the subcontracting fees for the purchase orders scheduled for delivery in the fourth quarter of the year, which has more sales than other quarters in general. As at 31 August 2019, our Group's bank borrowings of (i) approximately US\$1.4 million was secured by the bills receivables held by our Group and was guaranteed by Mr. Bernard Szeto, father of Mr. Szeto; (ii) approximately US\$74,000 was secured by motor vehicles held by our Group and was unguaranteed; and (iii) approximately US\$10.1 million was unsecured and guaranteed by Mr. Bernard Szeto.

As at 31 December 2016, our Group unintentionally and inadvertently failed to meet the net tangible asset requirement with a short of US\$0.1 million for one of our bank facilities. We have duly informed the relevant financial institution, and such underlying bank facility had been duly renewed. Having considered, amongst other things, (i) the relevant financial institution had since renewed such bank facility of US\$5.7 million; (ii) the background leading to such incident was primarily resulted from the change in business model and the

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aforementioned disposal of our subsidiaries in 2016; and (iii) our Group has been able to meet such financial covenant since then and up to the Latest Practicable Date, our Directors are of the view that our Group (i) has no material difficulty in meeting the financial covenants of all our bank facilities going forward; (ii) do not foresee any difficulty to repay the bank borrowings if any of the financial institutions call for a repayment; and (iii) adequate alternative sources would be available to ensure that there was no threat to our continuing business operations.

As at 31 August 2019, being the latest practicable date for the purpose of the indebtedness statement, we had a total banking facilities of approximately US\$39.3 million. Out of the total available banking facilities, we had unutilised banking facilities amounted for approximately US\$22.2 million as at 31 August 2019. Details of the bank facilities are summarised as below:

Facility	Type	Facility limit	Unutilised amount		Security/guarantee provided	
			as at 31 August 2019	Interest rate		
Facility 1	Loan	HK\$0.4 million (approximately US\$1,000)	HK\$0.4 million (approximately US\$1,000)	3 months HIBOR plus 2.25% per annum or 3 months LIBOR plus 2.25% per annum	– Unlimited corporate guarantee by Lever Shirt, Lever Apparel, Levertex Company and Topsun Garment	
	Corporate Card	HK\$0.5 million (approximately US\$64,000)	HK\$0.5 million (approximately US\$64,000)	N/A		– Personal guarantee by Mr. Bernard Szeto, father of Mr. Szeto amounted to HK\$147 million
	Combined trade facilities	HK\$130.0 million (approximately US\$16.6 million)	HK\$41.4 million (approximately US\$5.3 million)	<i>Note 1</i>		
Facility 2	Overdraft	HK\$2.0 million (approximately US\$0.3 million)	HK\$2.0 million (approximately US\$0.3 million)	Bank's best lending rate	– Unlimited corporate guarantee by Lever Shirt and Lever Apparel	
	Combined trade facilities <sup>(Note 2)</sup>	HK\$10.0 million (approximately US\$1.3 million)	HK\$10.0 million (approximately US\$1.3 million)	Higher of HIBOR plus 2.25% per annum or bank's cost of funds, or higher of LIBOR plus 2.25% per annum or bank's cost of funds		– Personal guarantee by Mr. Bernard Szeto, father of Mr. Szeto amounted to HK\$117 million
	Factoring facility	HK\$50.0 million (approximately US\$6.4 million)	HK\$28.3 million (approximately US\$3.6 million)	Higher of HIBOR plus 1.85% per annum or bank's cost of funds, or higher of LIBOR plus 1.85% per annum or bank's cost of funds		

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Facility	Type	Facility limit	Unutilised amount		Security/guarantee provided
			as at 31 August 2019	Interest rate	
Facility 3	Foreign exchange facility	HK\$0.8 million (approximately US\$0.1 million)	HK\$0.8 million (approximately US\$0.1 million)	N/A	– Unlimited corporate guarantee by Lever Shirt and Lever Apparel
	Combined trade facilities <sup>(Note 3)</sup>	HK\$40.0 million (approximately US\$5.1 million)	HK\$38.8 million (approximately US\$4.9 million)	HIBOR plus 1.3% per annum or LIBOR plus 1.3% per annum	
Facility 4	Factoring facility	US\$7.5 million	US\$4.7 million	3 months HIBOR plus 1.75% per annum or 3 months LIBOR plus 1.75% per annum	– Personal guarantee by Mr. Bernard Szeto, father of Mr. Szeto amounted to US\$7.5 million
Facility 5	Factoring facility	HK\$15.0 million (approximately US\$1.9 million)	HK\$14.8 million (approximately US\$1.9 million)	HIBOR plus 1.75% per annum or LIBOR plus 1.75% per annum	– Unlimited corporate guarantee by Lever Apparel – Personal guarantee by Mr. Bernard Szeto, father of Mr. Szeto amounted to HKD55 million

*Notes:*

- The combined trade facilities included the following:

Facility	Interest rate
Import facilities (loan against import)	N/A
Import facilities (trust receipts)	HIBOR plus 2% per annum or LIBOR plus 2% per annum
Post-shipment buyer loans	HIBOR plus 2% per annum or LIBOR plus 2% per annum
Other bank negotiation advance facility	HIBOR plus 2% per annum or LIBOR plus 2% per annum
Packing credit	HIBOR plus 2% per annum or LIBOR plus 2% per annum
Overdraft	Bank's HKD best lending rate plus 1%
Post-shipment seller loans	HIBOR plus 2.75% per annum or LIBOR plus 2.75% per annum
Standby documentary credit facilities	2% per annum
Revolving loan	HIBOR plus 3% per annum or LIBOR plus 3% per annum

- The combined trade facilities included trust receipts, trust receipts under local documentary credits, import trade loans, packing loan, order packing loan and export trade loan.
- The combined trade facilities included import invoice financing, letter of credit and inward bills facility, trust receipt facility, packing loans facility and export-bills negotiation facility.

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Our Directors have confirmed that the personal guarantees provided by Mr. Bernard Szeto, father of Mr. Szeto, for the banking facilities above will be released by the financial institutions and replaced by corporate guarantee of our Group upon the Listing. For further details, please refer to the section headed “Relationship with our Controlling Shareholders” of this prospectus.

### 9.2 Lease liabilities

The following table sets forth our lease liabilities as of the dates indicated.

	<b>As at 31 December</b>			<b>As at 30 April</b>	<b>As at 31 August</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2019</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
					<i>(unaudited)</i>
<b>Lease liabilities:</b>					
Current	549	543	543	564	807
Non-current	1,429	949	392	216	607
<b>Total</b>	1,978	1,492	935	780	1,414

Our lease liabilities represent the net present value of the lease payments of our rented premises. In calculating the present value of lease payments, we adopted the incremental borrowing rate at the lease commencement date and the leases are entered at fixed prices. Our lease liabilities dropped from approximately US\$2.0 million as at 31 December 2016 to approximately US\$0.8 million as at 30 April 2019, which was mainly due to the repayment of the lease obligation over the course of the Track Record Period in respect of our rented premises commencing in 2015 and 2016, both with lease terms of five years. Our lease liabilities increased to approximately US\$1.4 million as at 31 August 2019 as our Group entered into a lease agreement commencing in July 2019, with a lease term of five years. As at 31 August 2019, the lease liabilities of approximately US\$1.4 million was secured by rental deposits and unguaranteed.

### 9.3 Contingent liabilities

As at 31 August 2019, being the latest practicable date for the purpose of the indebtedness statement, our Group did not have any material contingent liabilities or guarantees.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities and normal trade bills, our executive Directors confirmed that our Group did not have any other outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness issued and outstanding or agreed to be issued, hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 31 August 2019, being the latest practicable date for the purpose of the indebtedness statement.

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## FINANCIAL INFORMATION

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### 10. CAPITAL EXPENDITURE

Our Group's capital expenditure mainly consisted of expenditures on acquisition of plant and equipment for our operations. Our Group incurred capital expenditures amounted to approximately US\$1.0 million, US\$0.7 million, US\$0.1 million and US\$0.1 million for each of the three years ended 31 December 2018 and four months ended 30 April 2019 respectively, mainly consisted of expenditure for leasehold improvements and computer equipment. Our Group incurred expenditure of approximately US\$0.6 million in leasehold improvements in 2016, approximately US\$0.3 million in computer equipment in 2017 and approximately US\$0.1 million for computer equipment in 2018. Since 30 April 2019 and up to the Latest Practicable Date, our Group did not incur any material capital expenditure. Please refer to note 15 of the Accountants' Report contained in Appendix I to this prospectus for details of plant and equipment.

For the year ending 31 December 2019, we estimate that our Group's capital expenditure will amount to approximately US\$0.4 million primarily for computer equipment. We expect to meet future capital expenditure requirements through our available cash and bank balances, cash generated from our operations as well as net proceeds from the Global Offering. For further details, please refer to the section headed "Future plans and use of proceeds" of this prospectus.

### 11. CAPITAL COMMITMENTS

During the Track Record Period and up to the Latest Practicable Date, our Group did not enter into any capital commitments contracts.

### 12. FINANCIAL RISKS

Our Group is exposed to a variety of financial risks arising from our operations, such as foreign currency exchange risks and credit risks.

#### 12.1 Foreign currency exchange risks

During the Track Record Period, our Group was exposed to foreign currency exchange risks from our operations, such as sales and purchases activities, which were transacted in HK\$, RMB, EUR, JPY and GBP. As at 31 December 2016, 2017 and 2018 and 30 April 2018 and 2019, our Group's net exposure to foreign currency risks was as follows.

	Assets				Liabilities			
	As at 31 December		As at 30 April		As at 31 December			As at 30 April
	2016	2017	2018	2019	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
HK\$	1,958	8,019	5,693	1,452	11,237	10,131	11,285	8,468
RMB	4,417	5,539	819	200	189	1,464	1,024	907
EUR	-	3	-	-	80	78	208	353
JPY	-	-	-	-	76	82	14	24
GBP	-	-	-	-	5	7	17	9

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## FINANCIAL INFORMATION

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Foreign currency exchange risks comprises a combination of realised and unrealised loss in foreign exchange. The realised portion is derived from the loss in foreign exchange arising from the differences in exchange rates used to record the sales or purchases transactions denominated in foreign currencies versus the rate as at the settlement date. The unrealised portion is derived from converting monetary assets and liabilities denominated in foreign currency to US\$ as at the end of each respective year/period.

During the Track Record Period, our Group did not have a foreign currency hedging policy. In order to mitigate the risks of foreign exchange rate fluctuations, our management closely monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner.

### *Sensitivity analysis on foreign currency exchange risks*

The following table sets out the sensitivity analysis of our Group's net foreign currency exposure to a percentage change in RMB against US\$ during the Track Record Period. The sensitivity analysis does not include our Group's net foreign currency exposures in HK\$, which has limited foreign currency exchange risks due to the pegged rate system of HK\$ against US\$. Our Directors considered that our Group's foreign exchange risk on fluctuation of EUR, JPY and GBP during the Track Record Period was immaterial. The sensitivity rate of 5.0% is used, which represents our Group's assessment of the reasonably possible change in RMB. A positive number below indicates an increase in profit after tax where RMB strengthens against US\$. For depreciation of RMB against US\$, there would be an equal and opposite impact on the results for the year/period.

	As at 31 December			As at
	2016	2017	2018	30 April
	US\$'000	US\$'000	US\$'000	2019
RMB	177	170	(9)	(29)

## 12.2 Credit risks

Credit risks refer to the risks that the counterparty would default on its contractual obligations resulting in financial loss to our Group. During the Track Record Period, our Group's exposure to credit risks arose primarily from our trade and bills receivables, other receivables, amounts due from Directors, amount due from immediate holding company and amounts due from a related company. Our Directors considered that the credit risks on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

In order to minimise the credit risks, our management continuously monitor the credit quality of the debtors and the level of exposure to ensure that follow up action is taken to recover overdue debts. Except for the amount due from a related company, our Group has no other significant concentration of credit risks, with exposure spread over a number of counterparties and customers. Please refer to note 36(b) of the Accountants' Report contained in Appendix I to this prospectus for further details.



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## FINANCIAL INFORMATION

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### 13. LISTING EXPENSES

The total Listing expenses (based on the mid-point of the Offer Price range) are estimated to be approximately US\$3.9 million (equivalent to approximately HK\$30.3 million), which will be borne by the Selling Shareholder and our Group as to approximately US\$0.1 million (equivalent to approximately HK\$0.9 million) and approximately US\$3.8 million (equivalent to approximately HK\$29.4 million) respectively. For the year ended 31 December 2018 and the four months ended 30 April 2019, we incurred Listing expenses of approximately US\$0.3 million (equivalent to approximately HK\$2.2 million) and US\$0.8 million (equivalent to approximately HK\$6.4 million) respectively. By the completion of the Global Offering, we expect to incur the remaining Listing expenses of approximately US\$2.7 million (equivalent to approximately HK\$20.8 million), of which an estimated amount of approximately US\$1.2 million (equivalent to approximately HK\$9.5 million) is to be recognised as expenses and the balance is expected to be accounted for as a deduction of equity.

### 14. DIVIDEND POLICY

During the Track Record Period, we declared dividends of nil, HK\$30.0 million (equivalent to approximately US\$3.8 million), HK\$25.0 million (equivalent to approximately US\$3.2 million) and nil for each of the three years ended 31 December 2018 and four months ended 30 April 2019 respectively. The dividend declared in 2018 had been fully settled as at the Latest Practicable Date. For further details, please refer to note 13 of the Accountants' Report contained in Appendix I to this prospectus.

Our Directors intend to strike a balance between maintaining sufficient capital to grow the business and rewarding the Shareholders of the Company. According to our dividend policy, when deciding whether to propose a dividend and in determining the dividend amount, our Board will take into account, inter alia, our Group's (i) general financial conditions; (ii) actual and future operations and liquidity positions; (iii) future cash requirements and availability; (iv) restrictions on payment of dividends that may be imposed by our Group's lenders; (v) general market conditions; and (vi) any other factors which they may deem appropriate at such time.

Past dividends should not be regarded as an indication of the future dividends to be declared by our Group following the Listing. Our Directors will review the dividend policy from time to time and may exercise at our sole and absolute discretion to update, amend and/or modify the dividend policy at any time as it deems fit and necessary.

### 15. RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in note 38(a) of the Accountants' Report contained in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations for the Track Record Period or make our historical results not reflective of our future performance. For further details, please refer to the section headed "Connected transactions" of this prospectus.

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### **16. OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

Our Group had not entered into operating lease commitments which were not provided for in our combined statements of financial statements during the Track Record Period.

### **17. DISTRIBUTABLE RESERVES**

Our Company was incorporated on 27 February 2019 to serve as the listing vehicle of our Group for the Listing. As at the Latest Practicable Date, our Company had no reserves available for distribution to Shareholders. The Companies Law provides that share premium account of a company incorporated in the Cayman Islands, such as our Company, may be applied in such manner as it may from time to time determine, subject to the provisions, if any, of its Articles, provided that no distribution or dividend may be paid to its shareholders out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, such company shall be able to pay its debts as they fall due in the ordinary course of business.

### **18. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS**

Please refer to Appendix II to this prospectus for our unaudited pro forma statement of adjusted combined net tangible assets.

### **19. DISCLOSURE REQUIRED UNDER THE LISTING RULES**

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had our Shares been listed on the Stock Exchange.

### **20. NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this prospectus. As far as we were aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial conditions materially and adversely as at the Latest Practicable Date. However, prospective investors should note that the financial performance of our Group in 2019 would be materially and adversely affected by listing expenses described in the paragraph headed “13. Listing expenses” under this section.

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## FUTURE PLANS AND USE OF PROCEEDS

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### REASONS FOR LISTING

Over the years, we have evolved from a traditional apparel manufacturer beholden to steep overheads and underutilised capacity during low season to a multi-apparel category supply chain solutions provider, with strong product development capabilities offering multifaceted versatility in terms of manufacturing location, production lead time and order volume to our customers. Our business strategies such as cultivating our technical know-how in product development have begun to bear fruit during the Track Record Period as demonstrated by our improving financial performance. Meanwhile, we have expanded from our traditional expertise in woven shirts to other apparel categories with notable growth recorded in outerwear. Going forward, we intend to accelerate such expansion through acquiring and integrating businesses with technical know-how and premium clientele in additional apparel categories, namely soft wovens, cut-and-sewn knit, athleisure and denim, offered to our customers since 2014, 2017, 2018 and 2018 respectively, and these additional apparel categories which in aggregate contributed approximately 3.2% of our total revenue in 2018.

Despite online retail's growing prevalence since the late 2000s, the apparel supply chain industry has thus far lagged behind its downstream B2C value chain in terms of digitalisation. This combined with the highly fragmented nature of the apparel manufacturing industry has led to information opaqueness in the apparel supply chain in terms of manufacturers' capabilities and service quality, especially for new apparel brands. Meanwhile, as social media's influence grows, consumers' preference for more customised merchandise has brought about a proliferation of fast-growing digitally native brands and platforms as well as emerging brands with niche customer foci. Such market trends have driven the demand for shorter production cycles and smaller production runs as well as increased adaptation of technology in the manufacturing process such as virtual sampling and 3D design. To this end, we have embraced such movement by (i) adopting a versatile business model so as to support digitally native brands and platforms; (ii) conducting preliminary testing of our B2B platform in the third quarter of 2018; and (iii) introducing virtual sampling and 3D design to our existing business model to further reduce speed-to-market.

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## FUTURE PLANS AND USE OF PROCEEDS

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With the net proceeds from the Listing, we will be better equipped with more readily available resources to spearhead such movement at this opportune time all the while maintaining a healthy capital structure to ensure our business sustainability. We have therefore, with the above in mind, sought the Listing for the following reasons:

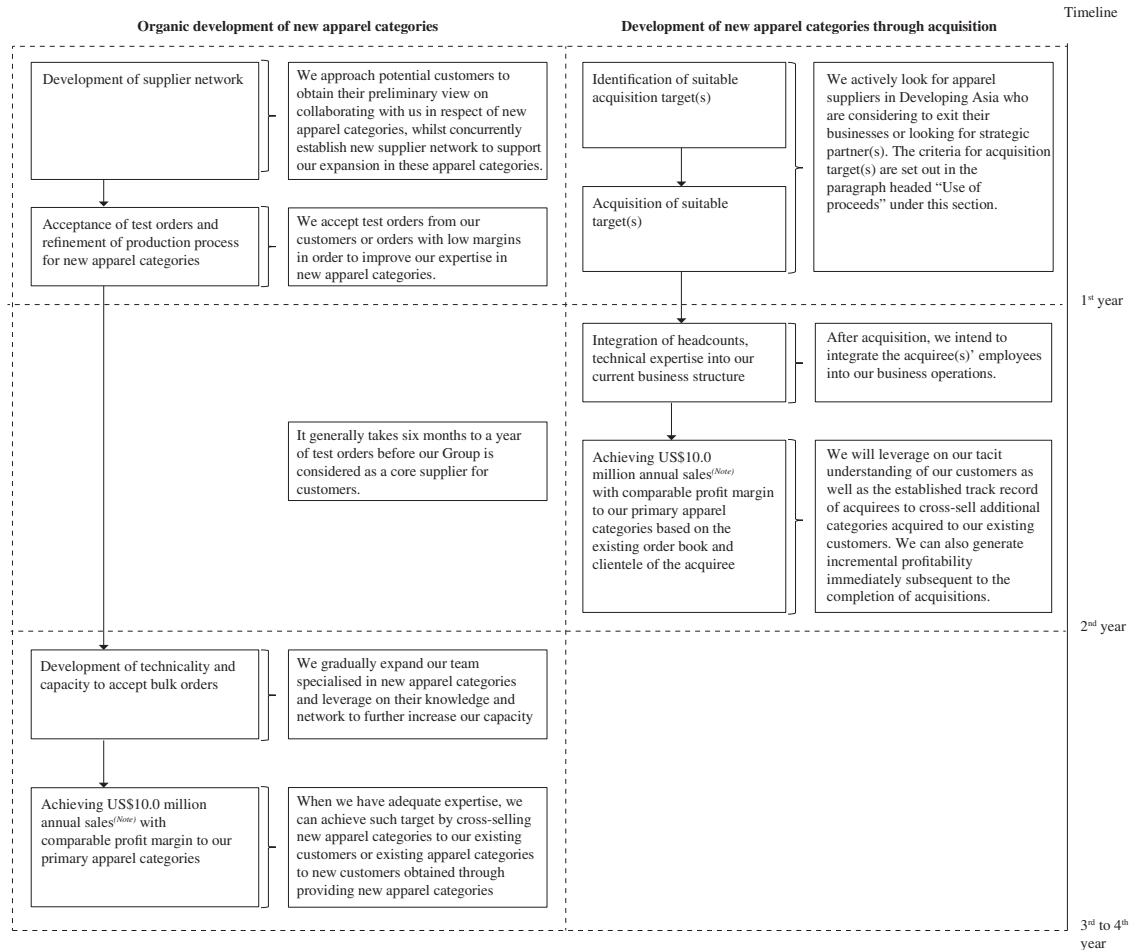
**(i) To capture acquisition opportunities and accelerate additional apparel category development in a timely manner**

During the Track Record Period, our efforts in organic development of technical know-how, whilst yielding progress, was unable to support an efficient expansion of our apparel category portfolio to our satisfaction, albeit our in-house technical development centre is able to leverage on their existing know-how when developing prototypes for apparel categories we are less experienced in, as organic development for such apparel categories generally involves more trial and error compared to our specialties such as shirts, bottoms and suit. The longer product development lead time in turn impairs our competitiveness compared to market players who specialise in the relevant apparel categories. In addition, our customers, in particular conventional premium brands, place great emphasis on expertise and specialty when shortlisting suppliers for each of their apparel category. During the Track Record Period, we had been organically developing the abovementioned additional apparel categories with limited sales volume and revenue contribution of approximately 3.2% in 2018. Our limited track record (and by extension expertise) in the additional apparel categories rendered us less attractive as a supplier for such products, which we compensated by being more price competitive. Likewise, given that (i) we had yet to build up a meaningful aggregate volume for our contract manufacturers to take advantage of economies of scale; and (ii) we had limited bargaining power with new suppliers in view of the short relationships in these additional apparel categories, we were charged with a higher per-unit cost by the relevant contract manufacturers, and hence a lower economies of scale. As such, the competitive pricing and high per-unit cost together pulled down the overall gross profit margin for the three years ended 31 December 2018 for athleisure, cut-and-sewn knit, soft wovens and denim, which was substantially lower than our primary apparel categories. Our Directors observed that the gross profit margin of the additional apparel categories for the four months ended 30 April 2019 had climbed to approximately 21.2%, which was attributed to the one-off orders obtained by leveraging on established relationships and credibility with these existing customers built up during the Track Record Period. Please refer to the paragraph headed “5.3 Gross profit and gross profit margin” under the section headed “Financial information” of this prospectus for details.

As (i) the acquiree(s)’ speciality know-how will shorten our product development time, thereby enhancing our competitiveness; and (ii) the acquiree(s)’ track record will strengthen our price bargaining power and improve the margins of such additional apparel categories, we believe acquisition(s) of businesses with existing know-how will be the most efficient means to strengthen technical know-how in high potential apparel categories such as athleisure, cut-and-sewn knit, soft wovens and denim in which we are less experienced. As highlighted by Frost & Sullivan, global apparel production value of athleisure, cut-and-sewn knit, soft wovens and denim are expected to grow at a CAGR of approximately 5.2% from 2019 to 2023, as compared to 4.3% of the industry average. To capture the growth of these additional apparel

## FUTURE PLANS AND USE OF PROCEEDS

categories, acquisition is considered a more efficient means as well as a common way in the industry according to Frost & Sullivan. We set out below a timeline comparison between acquisition and organic development in developing a mature apparel category based on our experience in the past and our discussion with industry associations and peers:



**Note:**

In determining the US\$10.0 million annual sales benchmark for a mature apparel category, we have taken into account:

- (i) that a mature apparel category should have a meaningful contribution to our Group's sales and profitability;
- (ii) our Group's current operational scale and expected growth in the next two years; and
- (iii) that a mature apparel category should have sufficient volume to facilitate our contract manufacturers to achieve reasonable economies of scale (as elaborated below) thereby reducing marginal production cost and generate gross profit margin comparable to our primary apparel category.

US\$10.0 million is also the low end of the annual revenue requirement of our acquisition target as detailed in the paragraph headed "Future plans" under this section.

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## FUTURE PLANS AND USE OF PROCEEDS

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Whilst it normally takes three to four years to develop a new apparel category organically and our Group first offered soft wovens to our customers in 2014, the sales volume and revenue derived therefrom were immaterial to our Group in the initial years. This was because (i) our management was focusing on transforming our business model from a self-operated manufacturing model to a versatile model at the time, which has since become one of our competitive strengths as discussed in the paragraph headed “II. Competitive strengths” under the section headed “Business” of this prospectus; and (ii) the limited track record and technical experiences of our Group had limited our ability to meaningfully develop into these additional apparel categories amid intense competitions from industry peers with far more experiences in these additional apparel categories in the overall apparel industry, as evidenced by the relatively small revenue contribution of these additional apparel categories since 2014. Following the completion of such pivot in mid-2016, our Group tuned up our efforts in expanding our apparel category portfolio and set up a team of soft wovens specialists by the end of 2016. Such efforts were duly reflected in subsequent years’ performance with revenue derived from soft wovens steadily increasing throughout the latter part of the Track Record Period and its improvement in gross profit margin. Our Group also branched into cut-and-sewn knit in 2017 to expand its multi-apparel category offering capacity. As the earlier additional apparel categories our Group expanded into, soft wovens and cut-and-sewn knit were the largest revenue contributors amongst the additional apparel categories and accounted for approximately 77.9% and 12.3% of our revenue under “Others” for the four months ended 30 April 2019 respectively (which, nevertheless, cannot be considered a meaningful or mature expansion as compared to our primary apparel categories). Given such headway compared to the other two apparel categories, our Directors intend to prioritise these two apparel categories when accelerating its additional apparel category development through acquisition, details of which are set out in the paragraph headed “Future plans” under this section.

We seek targets possessing strong technical know-how in its respective speciality to complement our existing apparel category portfolio. We aim to immediately leverage on the technical know-how of such target companies to better serve our existing customers who are often multi-category brands/platforms, and integrate the acquiree(s)’ employees into our existing operational structure so that our management as well as employees can deepen their knowledge into these additional apparel categories through collaborating with such personnel. By doing so, we expect to accelerate the process of accumulating necessary expertise in providing services in these additional apparel categories, all the while generating revenue from the acquiree(s)’ existing customer portfolio immediately upon the completion of acquisition(s). Also, with reference to our experience in acquisition of TTL Manufacturing Limited in 2007, we can combine the established track record of acquiree(s) together with our holistic services to demonstrate our technical ability to and inspire confidence on multi-category customers who previously express interest in collaborating with us for additional apparel categories, and leverage on our existing customer relationships to solicit for additional apparel categories sales from both existing and new customers through cross-selling. Meanwhile, we can cross-sell our existing apparel categories to the acquiree(s)’ pre-existing customers immediately subsequent to the acquisition(s), who are likely to carry multi-category products as, according to Frost & Sullivan, many apparel companies have multi-apparel categories. In short, we can better serve our existing multi-category customers who carry a wider range of apparel categories than what we currently supply, all the while achieving a faster growth in the additional apparel categories.

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## FUTURE PLANS AND USE OF PROCEEDS

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Through acquisition(s), expertise, skilled personnel as well as the target(s)' existing clientele will be immediately available to employ and utilise, which we will in turn be able to (i) internally, facilitate know-how accumulation and streamline business process and cost structures; and (ii) externally, strengthen our market position in these additional apparel categories from the perspective of both customers and contract manufacturers.

Internally, with acquisition(s), we will be in a position to readily leverage on the acquired expertise skilled personnel as well as their existing clientele to enhance our technical capability in the additional apparel categories and in turn lower our product development costs. Also, cost synergies can be realised by consolidating operational functions such as administrative staff costs, information technology related expenses, accounting and finance related expenses and rental expenses. We will also fine-tune the incentive system whereby apparel category heads' remuneration packages would be linked to sales and profitability performance of their respective specialties.

Externally, through acquisitions, sales volume from our target(s)' existing clientele will be readily available in the additional apparel categories, which in turn allows us to (i) gain market recognition in having expertise to handle these additional apparel categories; and (ii) achieve economies of scale (with higher overall volume for each contract manufacturer through aggregating the acquired orders with the organically-developed orders of similar apparel products in these additional apparel categories) so that our contract manufacturers can produce at a lower per-unit cost, which in turn lower production costs charged by our contract manufacturers (and hence our cost of sales as well as the pass-through costs to our customers). Meanwhile, with recognised expertise in these additional apparel categories readily available by acquisition(s) (as opposed to the gradual accumulation through organic development over at least three years based on our experience), cross-selling opportunities (for example, (i) when our existing customers in shirts recognise our expertise in soft wovens and decide to produce soft wovens with us; or (ii) when the acquired clients in soft wovens choose to produce shirts with us) across primary and additional apparel categories also enhances the overall sales volume and profitability of our Group and thereby improving the overall synergistic effects. In the longer run, with more technical know-how in these additional apparel categories, we can collaborate with our customers and suppliers in developing hybrid products, such as stretch denim, athleisure suit or other products with reference to the latest fashion trend. All in all, as highlighted by Frost & Sullivan, developing new apparel categories is more efficient by way of acquisition than organic development. Through acquisition(s), companies can penetrate their existing markets by cross-selling, achieve economies of scale and increase synergy in a timely manner.



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## FUTURE PLANS AND USE OF PROCEEDS

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In view of the above, coupled with the backdrop of consolidation in the global apparel supply chain industry and our assessment on using debt financing as elaborated below under this section, any acquisition(s) to expedite our business expansion and to establish a meaningful and competitive presence in the up-and-coming additional apparel categories would have to be funded by external resources so as to not expose ourselves to unnecessary liquidity risks, and we believe that equity funding is on balance the preferred means for acquisition(s), as it is more readily available and less restrictive.

**(ii) Credibility and transparency afforded by the Listing status will cast us in more favourable light with potential acquiree(s)**

As discussed in the paragraph headed “III. Business strategies” under the section headed “Business” of this prospectus, our pool of potential targets includes numerous family-owned apparel manufacturers in Developing Asia each possessing strong technical know-how in its respective specialty garnered through years of experience but now lack successors. We believe the prestige and transparency as a listed company will enhance our credibility as a potential buyer and inspire confidence in the business owners of our future stewardship of their business and other stakeholders such as long standing customers and employees.

**(iii) Additional capital to support our development of a proprietary technology platform**

As aforementioned, the apparel industry has seen a proliferation of emerging brands with niche customer foci garnering significant market share in recent years. From our experience of supporting the growth of many emerging brands, such brands, with small order volumes during their initial years, generally lack access to reputable apparel manufacturing suppliers which tend to prefer larger volume orders. In view of this, and in upholding our commitment to spearhead the digitalisation movement in the apparel supply value chain, we have commenced the preliminary testing on our B2B platform in the third quarter of 2018 to tap into this pool of underserved entrepreneurs. The B2B platform, utilising 3D design and preset materials in the first phase, will bypass the design and prototype processes to jump directly to production, thereby enabling our Group to (i) cast our net wide in search of more business opportunities, ranging from individual customers for personalised apparel products to high potential emerging brands for a broader customer base in the long run; (ii) accommodate our existing digitally native customers (accounted for more than 45.0% of our revenue in 2018) who are forward-looking and embrace innovative technologies such as 3D design; and (iii) provide a more efficient order-processing mechanism for our existing clientele. As such, we expect to enhance our customer penetration for existing customer and enlarge our customer base in the long run as mentioned above, which further support our business strategy, details of which are set out in the paragraph headed “III. Business strategies” under the section headed “Business” of this prospectus.



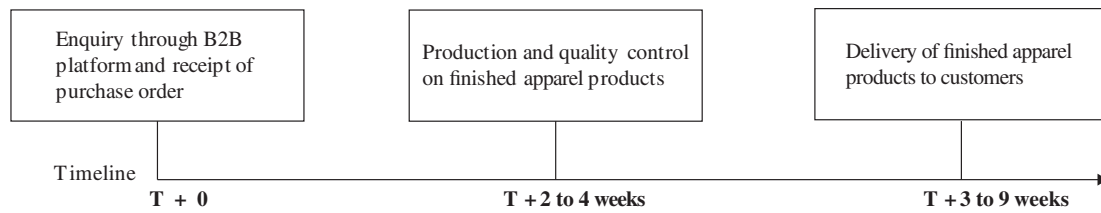
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## FUTURE PLANS AND USE OF PROCEEDS

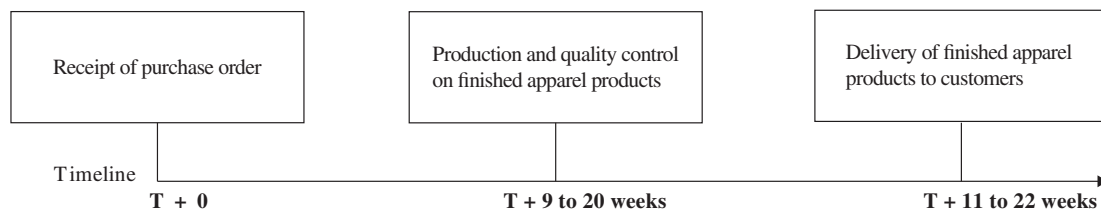
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In addition, as compared to our existing business workflow as disclosed in the paragraph headed “V. Our operations” under the section headed “Business” of this prospectus, the B2B platform is expected to (i) shorten our production lead time from approximately 11 to 22 weeks for our general business operation flow (from receipt of purchase order to delivery) to three to nine weeks; and (ii) reduce manual work involved in our general business operation. We set forth below the general business workflow under the B2B platform and our Group’s general business operation for illustration:

### *Production lead time under the B2B platform*



### *Production lead time under the general business operation*



Under our existing operational structure, approximately nine employees from sales and merchandisers, product development and design, production management and distribution to finance department will be involved in the whole process with various degree of involvement for each purchase order whilst the B2B platform, when in full operation, will only involve one employee to provide necessary customer services due to its automated operation flow (from 3D customisation, data input, fabric cutting to production process control) after integration with our new ERP system. In light of the above, our Group can lessen reliance of manpower when seeking business expansion, resulting in less overheads as and when the B2B platform scale up. Based on our Directors’ best estimation, with reference to such expected savings in staff costs in sales and merchandisers, product development and design, production management and distribution and finance departments as well as savings in selling and distribution expenses such as product development expenses and administrative expenses such as travelling and entertainment expenses, the profit before tax margin under the B2B platform is estimated to be approximately 15.0% when an order is processed through the B2B platform, as compared to approximately 6.9% under the existing operation structure in 2018. Taking into account the time required to ramp up the order volume in the B2B platform, the profitability will likely materialise in 2020, but in a larger magnitude in 2021.

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## FUTURE PLANS AND USE OF PROCEEDS

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Meanwhile, such B2B platform is envisioned to act as the starting point between our Group and emerging brands, whom we will assign designated account managers as and when the business potential justifies such investments. According to Frost & Sullivan, B2B platforms, with a high growth potential due to the digitalisation of the downstream apparel industry, have yet to be widely used amongst the apparel supply chain solutions providers in Asia. Therefore, first-movers will be able to take advantage of the technological advancement and the influence of digitalisation in the apparel supply chain industry. In this regard, we intend to utilise 16.3% of the net proceeds to accelerate the development of such platform to capture first mover's advantage. Please refer to the paragraph headed "Use of proceeds" under this section for further details.

### **(iv) Additional capital to support the digitalisation of our business**

We endeavour to maintain our competitiveness by both enhancing our versatility in terms of manufacturing location, production lead time and order volume and pursuing digitalisation to streamline our business operations. Currently, our operational system and accounting system are separate and it involves repetitive manual work in transposing business operation data into financial data. In this regard, we intend to purchase a new ERP system to help digitalise our business operations, which is expected to save approximately HK\$1.6 million and HK\$1.7 million staff costs in 2020 and 2021 respectively as compared to the scenario under which our Company continues to use the existing ERP system based on our Directors' best estimation. With this ERP system, we can fully integrate business operation and financial functions to enhance business efficiency and provide better visibility for management to oversee our business operations. This can facilitate better decision making process amongst the management (financial analysis can be conducted more efficiently as business operation data can be transposed into financial data in real time under the new ERP system) and help supervisors provide timely feedback to its subordinates. The new ERP system will also complement our B2B platform by integrating with the B2B operational system. With the integration, the financial and operational data of our B2B platform will be linked to our ERP system, helping us in planning ahead for material and production capacity allocation in a more efficient manner, which is vital to our business growth when our B2B platform grows into a sizable platform. The automation and cost efficiency for our B2B platform can also be enhanced with such integration.

### **(v) Expanding our investor base, attaining higher liquidity of our Shares and unlocking the true value of our Group**

We note from other apparel supply chain solutions providers listed on the Main Board of the Stock Exchange that they benefit from the listing status and exposure to a wider investor base. The Listing will bring us additional liquidity and create a market for the trading of our Shares.

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## FUTURE PLANS AND USE OF PROCEEDS

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In addition, a broader and more diverse investor base will help us achieve the true value of our Group, thereby enhancing the visibility and awareness of our Group to potential customers or emerging brands who may not be acquainted with our business. Leveraging on such exposure, we believe our business strategies can be better conveyed to new and potential customers.

### **Comparison between equity financing and debt financing**

In view of the aforementioned funding needs, our Directors have weighed the advantages of equity financing over debt financing and are of the view that equity funding is on balance the preferred means due to the following reasons:

- (i) bank borrowings, while costing less than equity funding, are much more restrictive and less flexible on a project financing basis. They require onerous assessments of our Group's financial strength, valuation of target company(ies), restrictive covenants and other requirements imposed by potential lenders. Such procedures are often time consuming and may not facilitate acquisition(s) in a timely manner, which may hamper our Group's competitiveness as an acquirer, while the net proceeds of the Global Offering will give our Group the flexibility and readily available resources to capture suitable acquisition opportunity(ies) from time to time. Meanwhile, for the investment in the B2B platform, our Directors consider such investment as a strategic action to enhance our Group's long-term competitiveness. With our Group being one of the first-movers in building up a B2B network in apparel supply chain solutions industry and without any precedent for our Group's bankers for reference, our Group may not be able to obtain debt financing at favourable terms or cannot secure sufficient funding to support the growth of the B2B platform;
- (ii) any manufacturing facilities that may come with such acquisition(s) will be spun off as elaborated in the paragraph headed "III. Business strategies" under the section headed "Business" of this prospectus, any loan application for such acquisition(s) is unlikely to be assessed on a standalone basis and may necessitate additional comfort to be offered such as real estate pledge or extension of personal guarantee by our Controlling Shareholders. However, as at 30 April 2019, our Group's non-current asset value amounted to only approximately US\$1.8 million, of which approximately US\$0.8 million, US\$0.4 million and US\$0.3 million were right-of-use assets, computer equipment and leasehold improvements respectively which are unlikely to be taken as pledges. As such, our Group may not be able to obtain sufficient funding to finance the implementation of our Group's future plans as elaborated in the paragraph headed "III. Business strategies" under the section headed "Business" of this prospectus. In addition, out of our Group's unutilised banking facilities of approximately US\$22.2 million as at 31 August 2019, approximately US\$20.2 million are trade and factoring facilities which cannot be used to fund our expansion plan under the relevant loan terms and conditions and approximately US\$2.0 million are overdraft and revolving loans which are

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## FUTURE PLANS AND USE OF PROCEEDS

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short-term in nature (can only be drawn for a maximum of six-month period as compared to the spread of our implementation plan spanning from 2019 to 2021) and subject to availability of matching funds in the market. Therefore, our Directors are of the view that the overdraft and revolving loans are not suitable for funding long-term investment; and

- (iii) while one-off Listing expenses to be incurred is expected to be higher than the interest expenses at the current interest rate given the same amount of funds raised, our Directors note that the Hong Kong Interbank Offered Rate for the interest of one month had steadily increased from approximately 0.2% at the beginning of the Track Record Period to approximately 2.1% at the end of the Track Record Period, indicating a rising trend for interest costs. The Listing provides our Group an additional option to raise further equity funding in the future if the interest rates rise above the affordable level or when banks start to tighten the financing requirements, which grants our Group the flexibility in carrying out expansion plans as and when necessary.

We would like to highlight that the apparel supply chain industry is working capital intensive whereby small changes in debtors' or creditors' turnover days would have a significant effect on our Group's working capital requirements. For instance, the timing difference between paying our raw material suppliers to receiving payment from our customers may range from as short as four to 28 weeks depending on the credit terms with customers and raw material suppliers as well as the actual settlement dates. We need to be prepared and reserve sufficient resources for our working capital needs and sustain our business through economic cycles. In 2018, we utilised and repaid more than US\$21.2 million of bank borrowings to support working capital needs in spite of a net cash inflow from operating activities of approximately US\$4.9 million, which arise from funding the purchase of raw materials and paying our contract manufacturers before receiving payment from our customers. Despite having (i) approximately US\$22.2 million of unutilised banking facilities as at 31 August 2019; and (ii) approximately US\$3.1 million of cash and bank balances (which are reserved for our day-to-day business operations and the settlement of the dividend declared in 2018) as at 31 August 2019, our gearing ratio stood at approximately 52.9% as at 30 April 2019 which was still moderately higher than other listed peers, ranging from nil to 30.2%, on the Stock Exchange. If we pursue further debt financing to support our expansion plans as elaborated in the paragraph headed "Use of proceeds" under this section below, we may expose ourselves to unnecessary risks in light of the rising trend for interest costs as mentioned above. Having considered (i) the constraints to obtain debt financing in a timely manner; (ii) insufficient asset base to be pledged to obtain adequate debt financing to fund our expansion plans; (iii) increasing interest costs; and (iv) the flexibility to raise further financing through equity, equity financing is the preferred means over debt financing to support our Group's expansion plans as and when necessary.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

We intend to enhance our existing strengths, being versatility in terms of manufacturing location, production lead time and order volumes, and expand our category portfolio to cater to our customers' needs pursuant to the strategies set out in the paragraph headed "III. Business strategies" under the section headed "Business" of this prospectus.

### USE OF PROCEEDS

Assuming (i) an Offer Price of HK\$0.95 per Offer Share, being the mid-point of the indicative Offer Price range; and (ii) that the Over-Allotment Option is not exercised, we estimate that we will receive net proceeds of approximately HK\$122.7 million (equivalent to approximately US\$15.7 million) from the Global Offering after deducting (i) the gross proceeds from the sale of the Offer Shares by the Selling Shareholder in the Global Offering; and (ii) the underwriting fees and estimated expenses borne by us in relation to the Global Offering. The Selling Shareholder will be responsible for the underwriting fees and estimated expenses payable by the Selling Shareholder and any applicable stamp duty in connection with the sale of the Sale Shares in the Global Offering. Our Directors intend to apply the net proceeds from the Global Offering as follow:

Purposes of the net proceeds of the Global Offering to be utilised	Total amount of net proceeds of the Global Offering to be utilised		Percentage of net proceeds of the Global Offering to be utilised
	<i>HK\$' million</i>	<i>US\$' million</i>	
(i) Expansion into the additional apparel categories by acquisition(s)	83.8	10.7	68.3%
(ii) Capital investment in relation to our B2B online platform	20.0	2.6	16.3%
(iii) Capital investment in relation to digitalisation	7.3	0.9	5.9%
(iv) Repayment of existing debts	6.5	0.8	5.3%
(v) General working capital	5.1	0.7	4.2%
<b>Total</b>	<u>122.7</u>	<u>15.7</u>	<u>100.0%</u>

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## FUTURE PLANS AND USE OF PROCEEDS

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We set out below detailed breakdown and description of our intended use of the net proceeds of the Global Offering.

- (i) Approximately HK\$83.8 million (equivalent to approximately US\$10.7 million) or approximately 68.3% of the net proceeds will be used for expansion into the additional apparel categories.

We look for apparel suppliers in Developing Asia (including Vietnam, Indonesia, Philippines and China), and preferably family-owned (which tend to lack successors and are looking to exit, according to our industry observations), with existing customer portfolio consisting mainly of conventional premium brands and/or digitally native brands and strong technical know-how in their respective specialties garnered through years of experience but now lack successors. Any manufacturing facilities that may come with such acquisition(s) will be spun off to enhance versatility and profitability with a view to integrate with and complement our business model to focus on the provision of end-to-end supply chain solutions. In particular, we look for, subject to availability of acquisition target(s) and market conditions, businesses with (i) approximately US\$10.0 million to US\$20.0 million annual revenue for the past three years; (ii) a net profit margin of approximately 4.0% or above (after adjusting for non-cash and non-arm's length expenses); (iii) price-to-earnings ratio of 4.0 to 8.0 times; (iv) payback period of 4 to 8 years; (v) rate of return of at least 10.0%; (vi) business operation in Developing Asia, including Vietnam, Indonesia, Philippines and China; (vii) an intention to sell a controlling stake of at least 50.0%; (viii) a customer portfolio entailing conventional premium brands and/or digitally native brands and platforms that emphasise on quality with high growth potential regardless of the customers' geographic presence; (ix) strong technicality in apparel categories such as athleisure, cut-and-sewn knit, soft wovens, denim and other apparel categories; and (x) commitment to integrate into our existing business operations as disclosed under the section headed "IV. Our business model" of this prospectus. As at the Latest Practicable Date, while we prefer family-owned apparel suppliers which completely satisfy our selection criteria, we had yet to identify suitable targets as at the Latest Practicable Date and our Directors were open to considering apparel suppliers with sufficient and suitable know-hows and clientele based on commercial rationale whilst taking into account the Shareholders' interests as a whole.

With the above criteria in mind, we target an estimated valuation between HK\$17.2 million to HK\$34.5 million (equivalent to approximately US\$2.2 million to US\$4.4 million) for each acquisition target. Since we target to acquire at least 50.0% of the equity interest in acquiree(s), the acquiree(s)' financial results will be consolidated into our Group's financial statements upon completion and we expect the acquirees will have a positive contribution to our revenue. In addition, the payment of the consideration will be settled through our net proceeds and external fundings, if necessary. As such, these acquisitions are not expected to adversely affect our working capital sufficiency. If the acquisition costs are above the earmarked amount, the differences will be funded by internal fundings and/or external fundings subject to our financial position and relevant funding costs at the time. As at the Latest Practicable Date, whilst we were aware of a number of potential targets, we had not identified any acquisition target(s).

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## FUTURE PLANS AND USE OF PROCEEDS

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We set forth below our intended acquisition schedule:

<u>Acquisition targets</u>	<u>Expected apparel category to be acquired</u>	<u>Preferred target geographic areas</u>	<u>Year of acquisition completion</u>
Potential target 1	Soft wovens, cut-and-sewn knit	Developing Asia	Mid-2020
Potential target 2	Soft wovens, cut-and-sewn knit, athleisure, denim	Developing Asia	End-2020 or early-2021
Potential target 3	Athleisure, denim	Developing Asia	Mid-2021

We decide to prioritise acquiring know-how in soft wovens or cut-and-sewn knit apparel categories in our acquisition schedule as these categories have higher cross-selling potential based on the product offerings of our existing customer portfolio.

- (ii) Approximately HK\$20.0 million (equivalent to approximately US\$2.6 million) or approximately 16.3% of the net proceeds will be used for investment in relation to our B2B platform, of which approximately 79.1% or HK\$15.8 million are to be recognised as expenses and approximately 20.9% or HK\$4.2 million will be used as initial capital expenditure. We estimate to incur approximately HK\$4.8 million (equivalent to approximately US\$0.6 million) in 2019, approximately HK\$14.5 million (equivalent to approximately US\$1.9 million) in 2020 and approximately HK\$0.7 million (equivalent to approximately US\$0.1 million) in 2021. We have commenced preliminary testing on our B2B platform in the third quarter of 2018 to refine the platform prior to its launch which is expected to take place in early 2020. This platform targets to serve emerging brands which require small batch production with short lead time and have been underserved in the apparel market due to their small order volumes. It will also provide a more efficient order-processing mechanism to our existing customers.

As aforementioned, the apparel industry has seen a proliferation of emerging brands with niche customer foci garnering significant market share in recent years. Whilst we were able to capture some of this sector as clientele during the Track Record Period, we need to consider the cyclical industrial dynamics arising from the transient nature of fashion. Through our B2B platform, we can expose ourselves to a broader market and reach out to a larger customer base without substantial increase to our headcount, thereby exposing ourselves to more high growth potential brands and mitigating our exposure to life-cycle effects of a particular brand/category/style. As such, despite a considerable upfront investment and depreciation arising from the capitalised expenses, which will affect our net profit margin in the short term, our Directors consider that the incremental benefit generated from the B2B platform will outweigh such costs when the headcount cost savings become more prominent, details of which are set out in the paragraph headed “Reasons for Listing” under this section.



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## FUTURE PLANS AND USE OF PROCEEDS

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Going forward, we need to devote more resources into enhancing our customer experience on our B2B platform, such as interface design, system integration with our new ERP system, and strengthening its functionality including provision of virtual sampling and customer relationship management system which is expected to be available in early 2020 and building up a supplier portal by 2020. Through the supplier portal, our suppliers can monitor the order status in real time, manage the production process more efficiently and handle customers' requests with quick turnaround time. From our customers' perspectives, the virtual sampling technology will enable them to realise their design vision precisely as they can customise their products through three dimensional customisation process, which provides a variety of options such as type of fabrics, add-on accessories, pattern as well as cutting. Meanwhile, the customer relationship management system also allows our customers to manage their orders more easily whilst enabling us to analyse customer preference to facilitate better interactions. Having considered the advantages and functionalities of B2B platforms from other industries with successful cases in the U.S. and EU, we believe the above functionalities can enhance customer experience in using our B2B platform and therefore attract more traffic. To this end, we expect to incur (i) approximately HK\$11.3 million to build up the B2B operational system and platform; (ii) approximately HK\$4.7 million to upgrade our information technology infrastructure as well as ancillary hardware to support the long-term development of our B2B platform; and (iii) approximately HK\$4.0 million for the purchase of raw materials stored specifically for the B2B platform.

- (iii) Approximately HK\$7.3 million (equivalent to approximately US\$0.9 million) or approximately 5.9% of the net proceeds will be used for capital investment in relation to purchasing a new ERP system, of which approximately 73.4% or HK\$5.3 million are to be recognised as expenses and approximately 26.6% or HK\$2.0 million are used as initial capital expenditure. We estimate to incur approximately HK\$3.7 million (equivalent to approximately US\$0.5 million) in 2019 and approximately HK\$3.6 million (equivalent to approximately US\$0.4 million) in 2020. The new ERP system is expected to enhance the efficiency of our business operations by reducing repetitive manual work in transposing business operational data to financial data and thereby facilitating our management in analysing our business performance and providing feedback in a more timely manner. Further, the new ERP system will also integrate with our B2B platform to facilitate automation and improve cost efficiency.

To ensure that the new ERP system can fully integrate into our business operations, we expect to incur (i) approximately HK\$4.5 million (equivalent to approximately US\$0.6 million) implementation fee in optimising and customising our operation environment as well as providing live support for approximately nine months to tackle any technical issues encountered; and (ii) approximately HK\$2.8 million (equivalent to approximately US\$0.3 million) for ERP system related licences and support services.



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## FUTURE PLANS AND USE OF PROCEEDS

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- (iv) Approximately HK\$6.5 million (equivalent to approximately US\$0.8 million) or approximately 5.3% of the net proceeds will be used for repaying existing debts upon Listing. We are in a working capital intensive industry whereby we may from time to time utilise trade lines to fund the purchase of raw materials and payment to contract manufacturers until the settlement of our invoices by our customers. Please refer to the paragraph headed “9.1 Bank borrowings” under the section headed “Financial information” for the details of our bank borrowings as at 31 August 2019.

We intend to repay the trade facilities with the utilised amount of approximately HK\$6.5 million (equivalent to approximately US\$0.8 million) as at 31 August 2019, which were obtained for supporting our trading activities and have no maturity date. The utilised amount is repayable on demand by the financial institution with interest at 2.0% per annum over London Inter-bank Offered Rate or Hong Kong Inter-bank Offered Rate (annual interest would amount to approximately HK\$0.3 million based on utilised amount and prevailing interest rate as at 31 August 2019).

- (v) Approximately HK\$5.1 million (equivalent to approximately US\$0.7 million) or approximately 4.2% of the net proceeds will be used for additional working capital and other general corporate purposes.

### Implementation plan

Whilst we intend to employ the earmarked amount of approximately HK\$83.8 million for acquisition(s), considering we had not identified any acquisition target as at the Latest Practicable Date and the process of commercial negotiation, due diligence and price discovery have yet to commence, the consideration for each acquisition and the timeline of the relevant payment schedule may vary subject to the valuation of the target company and the arm’s length negotiation amongst the parties. For details of our estimated valuation for each acquiree and our intended acquisition schedule, please refer to the paragraph headed “Use of proceeds” under this section above. Apart from the proceeds to be used for the expansion into new apparel categories by acquisition(s), we intend to apply the rest of the net proceeds from the Listing in accordance with the following capital expenditure and expense as well as the implementation plan:

	Estimated capital expenditure and expenses to be funded with the net proceeds from the Listing					
	2019		2020		2021	
	<i>HK\$'million</i>	<i>%<sup>(1)</sup></i>	<i>HK\$'million</i>	<i>%<sup>(1)</sup></i>	<i>HK\$'million</i>	<i>%<sup>(1)</sup></i>
Capital investment in relation to our B2B online platform	4.8	3.9	14.5	11.8	0.7	0.6
Capital investment in relation to digitalisation	3.7 <sup>(2)</sup>	3.0	3.6	2.9	-	-
Repayment of existing debts	6.5	5.3	-	-	-	-

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## FUTURE PLANS AND USE OF PROCEEDS

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*Notes:*

1. Percentage of total capital expenditure and expenses to be funded with net proceeds from the Listing is calculated assuming an Offer Price of HK\$0.95 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.85 to HK\$1.05 per Share.
2. The Directors expect to incur approximately HK\$1.4 million upfront expenses for certain key modules within the new ERP system and preliminary assessment before Listing, which are settled with our working capital designated for our day-to-day operations. Upon receipt of the net proceeds from the Global Offering, we will re-designate the same amount of the allocated net proceeds to replenish working capital and settle the remaining capital expenditure and expenses for our new ERP system through net proceeds.

If the Offer Price is fixed at HK\$1.05 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$15.4 million. If the Offer Price is fixed at HK\$0.85 per Offer Share (being the low end of the Offer Price range stated in this prospectus) and the net proceeds we receive will be reduced by approximately HK\$15.4 million. If the Over-Allotment Option is exercised in full, the net proceeds we will receive are estimated to be HK\$164.4 million, HK\$146.5 million and HK\$128.6 million, on the assumption that the Offer Price is determined at the high-end, mid-point or low-end of the indicative offer price range respectively. Any amount raised above or below the mid-point Offer Price (including those we receive from any exercise of the Over-Allotment Option) will be deployed for the item (i), (ii), (iv) and (v) purposes of the net proceeds in the same proportion.

Our Group will not receive any proceeds raised from the Sale Shares. Assuming that the Offer Price is HK\$0.95 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), we estimate that the Selling Shareholder will receive net proceeds of approximately HK\$11.2 million (equivalent to approximately US\$1.4 million) after deducting the underwriting fees and estimated expenses to be borne by the Selling Shareholder in relation to the Global Offering and any applicable stamp duty in connection with the sale of Sale Shares in the Global Offering. If the Offer Price is HK\$1.05 per Offer Share (being the high end of the Offer Price range stated in this prospectus), the net proceeds received by the Selling Shareholder will increase by approximately HK\$1.2 million (equivalent to US\$0.2 million). If the Offer Price is HK\$0.85 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds received by the Selling Shareholder will reduce by approximate HK\$1.2 million (equivalent to US\$0.2 million).

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations in the relevant jurisdictions, we intend to deposit the net proceeds into short-term demand deposits with licensed banks or financial institutions, so long as it is deemed to be in the interest of our Group.

In the event of any material changes in our use of net proceeds of the Global Offering from the purposes described above, or should our Directors decide to reallocate the intended use of proceeds to other business plans to a material extent, our Company will issue an announcement in accordance with the Listing Rules.

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## CORNERSTONE INVESTORS

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### CORNERSTONE INVESTMENT

We have entered into cornerstone investment agreements (together, the “**Cornerstone Investment Agreements**”) with three investors (together, the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 4,000 Shares) that may be subscribed for an aggregate amount of US\$4,455,100 (calculated based on the exchange rate of US\$1 to HK\$7.84 as used in this prospectus) (the “**Cornerstone Investment**”), excluding brokerage, SFC transaction levy and Stock Exchange trading fee which the Cornerstone Investors are required to pay in respect of the Shares. The final investment amount in Hong Kong dollars will be calculated with the closing HK\$:US\$ exchange rate quoted by The Hongkong and Shanghai Banking Corporation Limited at 12:00 noon on the business day immediately prior to the Price Determination Date.

To the best knowledge of our Company, each of the Cornerstone Investors is independent from our Company, Directors, chief executive, Controlling Shareholders, substantial Shareholders, connected persons and their respective associates, and they are not our existing Shareholders.

The Cornerstone Investment forms part of the International Placing. The Offer Shares to be subscribed for by the Cornerstone Investors will carry the same rights in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company under Rules 8.08 and 8.24 of the Listing Rules. The Cornerstone Investors will not subscribe for any Offer Shares under the Hong Kong Public Offering.

Immediately following completion of the Capitalisation Issue and the Global Offering, the Cornerstone Investors will not have any board representation in our Company. Save for Poolside Ventures Limited and subject to the final Offer Price (as illustrated below), none of the other two Cornerstone Investors will become a substantial Shareholder of our Company. The Offer Shares to be subscribed for by the Cornerstone Investors may be affected by any reallocation of the Offer Shares between the Hong Kong Public Offering and International Placing described in the paragraph headed “The Hong Kong Public Offering” under the section headed “Structure and conditions of the Global Offering” of this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around Tuesday, 12 November 2019.

## CORNERSTONE INVESTORS

### DETAILS OF THE CORNERSTONE INVESTORS

The number of Shares to be subscribed for by the Cornerstone Investors (rounded down to the nearest whole board lot of 4,000 Shares) is subject to the determination of the Offer Price as illustrated below (calculated based on the exchange rate of US\$1.00 to HK\$7.84 as used in this prospectus and without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options granted under the Share Option Scheme):

Cornerstone Investor	Investment amount US\$	Number of Offer Shares to be subscribed for	Based on the Offer Price of HK\$0.85 (being low-end of the indicative Offer Price range)			
			Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is exercised in full	
			% of the Offer Shares %	% of total Shares in issue %	% of the Offer Shares %	% of total Shares in issue %
Poolside Ventures Limited ("Poolside")	4,000,000	36,892,000	21.35	5.76	18.56	5.54
Mr. Victor Herrero ("Mr. Herrero")	255,100 <sup>(Note)</sup>	2,352,000	1.36	0.37	1.18	0.35
Mr. Soegianto ("Mr. Soegianto")	200,000	1,844,000	1.07	0.29	0.93	0.28
<b>Total</b>	<b>4,455,100</b>	<b>41,088,000</b>	<b>23.78</b>	<b>6.42</b>	<b>20.67</b>	<b>6.17</b>

Cornerstone Investor	Investment amount US\$	Number of Offer Shares to be subscribed for	Based on the Offer Price of HK\$0.95 (being the mid-point of the indicative Offer Price range)			
			Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is exercised in full	
			% of the Offer Shares %	% of total Shares in issue %	% of the Offer Shares %	% of total Shares in issue %
Poolside	4,000,000	33,008,000	19.10	5.16	16.61	4.96
Mr. Herrero	255,100 <sup>(Note)</sup>	2,104,000	1.22	0.33	1.06	0.32
Mr. Soegianto	200,000	1,648,000	0.95	0.26	0.83	0.25
<b>Total</b>	<b>4,455,100</b>	<b>36,760,000</b>	<b>21.27</b>	<b>5.75</b>	<b>18.50</b>	<b>5.53</b>

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## CORNERSTONE INVESTORS

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Cornerstone Investor	Investment amount <i>US\$</i>	Number of Offer Shares to be subscribed for	Based on the Offer Price of HK\$1.05 (being the high-end of the indicative Offer Price)			
			Assuming the Over- Allotment Option is not exercised		Assuming the Over- Allotment Option is exercised in full	
			% of the Offer Shares %	% of total Shares in issue %	% of the Offer Shares %	% of total Shares in issue %
Poolside	4,000,000	29,864,000	17.28	4.67	15.03	4.48
Mr. Herrero	255,100 <sup>(Note)</sup>	1,904,000	1.10	0.30	0.96	0.29
Mr. Soegianto	200,000	1,492,000	0.86	0.23	0.75	0.22
<b>Total</b>	<b>4,455,100</b>	<b>33,260,000</b>	<b>19.24</b>	<b>5.20</b>	<b>16.74</b>	<b>4.99</b>

*Note:* The Cornerstone Investment of Mr. Herrero is denominated in HK\$ and amounts to HK\$2,000,000. The US\$ equivalent used in the tables above is calculated based on the exchange rate of US\$1 : HK\$7.84 as used in this prospectus.

The Offer Shares to be subscribed for by the Cornerstone Investors may be affected by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering in the event of over-subscriptions as described in the paragraph headed “The Hong Kong Public Offering” under the section headed “Structure and conditions of the Global Offering” of this prospectus. Furthermore, the Sponsor and the Sole Global Coordinator shall have the sole discretion to adjust the allocation of Offer Shares to the Cornerstone Investors as originally contemplated in the Cornerstone Investment Agreements, if more than 50% of the Shares are beneficially owned by three largest public Shareholders, to ensure compliance with Rule 8.08(3) of the Listing Rules.

The following information on the Cornerstone Investors was provided to our Company by the Cornerstone Investors.

### Information about Poolside

Poolside is an investment fund established in the Cayman Islands and managed by Blue Pool Capital Limited, a multi-strategy investment firm based in Hong Kong (“**Blue Pool**”). Blue Pool invests in all major asset classes including public and private equity and real estate globally. The firm is owned by the management and manages the assets of the management and a group of close-knit long term investors including a select group of founders of Alibaba Group Holding Limited, a company listed on the New York Stock Exchange (stock code: BABA: US). Certain executives of Blue Pool are personal acquaintances of Mr. Szeto, our Chairman and an executive Director.

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## CORNERSTONE INVESTORS

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### **Information about Mr. Herrero**

Mr. Herrero is currently a board member and chair of the sustainability committee of Global Fashion Group (“GFG”), a listed company on the Frankfurt Stock Exchange in Germany (stock code: GFG:GR). GFG owns various fashion e-commerce platforms including “ZALORA”, and “THE ICONIC”. Mr. Herrero is also currently a board member of Clarks (a British footwear company) and a board member of G-III Apparel Group Ltd, a company listed on NASDAQ. Mr. Herrero was the chief executive officer and director of Guess, Inc. from 2014 to 2019. Mr. Herrero came to know our Chairman and an executive Director, Mr. Szeto through social events in the fashion industry. He also came to know our executive Director, Dr. Chan when Dr. Chan joined our Group.

### **Information about Mr. Soegianto**

Mr. Soegianto is the chairman and director of P.T. Metro Garmin, a garment company based in Indonesia, which is also a supplier to our Group. Mr. Soegianto has been acquainted with our executive Director, Dr. Chan, for over 10 years due to business relationships.

### **CONDITIONS PRECEDENT**

The subscription obligation of each of the Cornerstone Investors is subject to, among other things, the following conditions precedent:

- (i) the Hong Kong Underwriting Agreement and the International Placing Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these Underwriting Agreements and neither of the aforesaid Underwriting Agreements having been terminated;
- (ii) the Offer Price having been agreed by our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters);
- (iii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the number of Offer Shares subscribed by each of the Cornerstone Investors under the relevant Cornerstone Investment Agreement as well as other applicable waivers and approvals) and that such approval, permission or waiver has not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (iv) no laws having been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering and the International Placing and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

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## CORNERSTONE INVESTORS

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- (v) the respective representations, warranties, undertakings and confirmation of each of the Cornerstone Investors under the relevant Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the relevant Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

### RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the Cornerstone Investors has agreed and undertaken that, among other things, without the prior written consent of each of our Company, the Sole Global Coordinator and the Sponsor, he/it will not, whether directly or indirectly at any time during the period of six months from the Listing Date (the “**Lock-Up Period**”), (i) dispose of (as defined in the relevant Cornerstone Investment Agreement) any of the Offer Shares subscribed for under the relevant Cornerstone Investment Agreement or other securities in our Company which are derived from such Offer Shares pursuant to any rights issue, capitalisation issue or other forms of capital reorganisation (the “**Relevant Shares**”) or any interests in any company or entity holding any of the Relevant Shares; or (ii) for Poolside only, allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any transactions described above. Each Cornerstone Investor further agrees that, save with the prior written consent of each of our Company, the Sole Global Coordinator and the Sponsor, the aggregate holding (direct and indirect) of the each Cornerstone Investor and/or his/its respective associates in the total issued share capital in our Company shall be less than 10% (or such other percentage as provided in the Listing Rules from time to time for the definition of “substantial shareholders”) of our Company’s entire issued share capital at all times.

After expiration of the Lock-Up Period, each Cornerstone Investor shall, subject to requirements under applicable laws and as specified in the relevant Cornerstone Investment Agreement, be free to dispose of any Relevant Shares and shall ensure that any such disposal will not create a disorderly or false market in the Shares and is otherwise in compliance with the SFO and all applicable laws.

During the Lock-Up Period, the Cornerstone Investors may transfer the Relevant Shares in certain limited circumstances as permitted in their respective Cornerstone Investment Agreements, such as transfer to a wholly-owned subsidiary of the relevant Cornerstone Investor, provided that prior to such transfer, such wholly-owned subsidiary undertakes in writing, and each Cornerstone Investor undertakes to procure, that such wholly-owned subsidiary, to be bound by the relevant Cornerstone Investor’s obligations prescribed under the relevant Cornerstone Investment Agreement and subject to the restrictions on disposals imposed on the relevant Cornerstone Investor.



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## CORNERSTONE INVESTORS

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### OTHER INFORMATION

According to the Cornerstone Investment Agreements, the Sole Global Coordinator may determine, in its sole discretion, to defer the delivery of the Offer Shares (but not the settlement of payment) to be subscribed by each of the Cornerstone Investors solely to cover the over-allocations in the International Placing, if any. The Cornerstone Investors have each confirmed that, (i) apart from the relevant Cornerstone Investment Agreements, our Company has not entered into any other side letter agreements/arrangements with any of the Cornerstone Investors; (ii) each of the Cornerstone Investors is not accustomed to take instructions from our Company, Directors, chief executive, Controlling Shareholders, substantial Shareholders, existing Shareholders or any of our subsidiaries or their respective close associates; and (iii) none of the subscriptions of the Offer Shares by the Cornerstone Investors is financed by our Company, Directors, chief executive, Controlling Shareholders, substantial Shareholders, existing Shareholders or any of our subsidiaries or their respective associates.

Our Directors consider that the subscription of Shares by the Cornerstone Investors will be able to demonstrate to the public and also the garment and fashion industry that our Company has the potentials for future growth and expansion and is generally perceived as a company with good reputation and value.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

Crosby Securities Limited  
China Tonghai Securities Limited  
Shanxi Securities International Limited  
CMBC Securities Company Limited

### INTERNATIONAL UNDERWRITERS

The International Underwriters are currently expected to be:

Crosby Securities Limited  
China Tonghai Securities Limited  
Shanxi Securities International Limited  
CMBC Securities Company Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, our Company is initially offering for subscription of the Hong Kong Offer Shares at the Offer Price under the Hong Kong Public Offering, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Hong Kong Underwriters have agreed on and subject to the terms and conditions in Hong Kong Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Hong Kong Offer Shares.

The Hong Kong Underwriting Agreement is subject to various conditions, which include, without limitation:

- (i) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and such listing and permission not subsequently being revoked; and
- (ii) the International Placing Agreement having been executed, becoming unconditional and not having been terminated.

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## UNDERWRITING

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### *Grounds for termination*

The respective obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers for, the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Hong Kong Underwriters) may in their sole and absolute discretion terminate the Hong Kong Underwriting Agreement with immediate effect by notice (orally or in writing) to our Company from the Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (i) there develops, occurs, exists or comes 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 event, circumstance, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanction, withdrawal of trading privileges, strike, lock-out, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, civil unrest, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism); or
  - (c) any change or development involving a prospective change, or any event, circumstance or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union, Japan, Switzerland or any other jurisdiction relevant to any member of our Group; or
  - (d) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shenzhen Stock Exchange and the Shanghai Stock Exchange; or

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## UNDERWRITING

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- (e) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the PRC, the European Union, Japan, Switzerland or any other jurisdiction relevant to any member of our Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or
- (f) any 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 Hong Kong, the PRC, the United States, the United Kingdom, the European Union, Japan, Switzerland or any other jurisdiction relevant to any member of our Group; or
- (g) any new laws or any change or development involving a prospective change in existing laws or any event or circumstance resulting in a change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union, Japan, Switzerland or any other jurisdiction relevant to any member of our Group; or
- (h) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union on Hong Kong or any other jurisdiction relevant to any member of our Group; or
- (i) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the US\$, EUR, HK\$, JPY, Swiss franc or the RMB against any foreign currencies), or the implementation of any exchange control, in Hong Kong, the PRC, the United States, the United Kingdom, the European Union, Japan, Switzerland or any other jurisdiction relevant to any member of our Group; or
- (j) any litigation, legal action, claim or legal proceeding of any third party being threatened or instigated against any member of our Group; or
- (k) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of our Company; or
- (l) any of the Directors vacating his or her office; or

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## UNDERWRITING

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- (m) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Placing Agreement; or
- (n) an authority or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (o) any change in the system under which the value of HK\$ is linked to that of the US\$ or a material devaluation of HK\$ against the US\$, EUR, JPY, Swiss franc or the RMB; or
- (p) a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (q) any material loss or damage sustained by any member of our Group; or
- (r) any demand by any creditor for repayment 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
- (s) a prohibition on our Company for whatever reason from offering, allotting, issuing, selling or delivering the Shares (including the Shares to be allotted and issued pursuant to the exercise of the Over-Allotment Option) pursuant to the terms of the Global Offering; or
- (t) any change or development involving a reasonably likely material adverse change of or any materialisation of any of the risks set out under the section headed “Risk Factors” in this prospectus; or
- (u) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or
- (v) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (w) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Hong Kong Underwriting Agreement or any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to Clause 12 of the Hong Kong Underwriting Agreement; or

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## UNDERWRITING

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- (x) the issue or requirement to issue by our Company of a supplemental or amendment to this prospectus (or any offering documents issued, given or used in connection with the contemplated offering and sale of the Offer Shares or otherwise in connection with the Global Offering) pursuant to the Companies Ordinance or the Listing Rules or any requirements of the Stock Exchange and/or the SFC; or
- (y) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole and absolute opinion of the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and/or the Hong Kong Underwriters: (1) has or will or may have a material adverse effect on the assets, liabilities, business, trading position, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest or the distribution of the Offer Shares under the International Placing; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable or not commercially viable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (ii) any of the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters shall become aware of the fact that, or have cause to believe that:
  - (a) that any statement contained in any of this prospectus and any other document issued, given or used in connection with the contemplated offering and sale of the Hong Kong Offer Shares or otherwise in connection with the Hong Kong Public Offering, including, without limitation, any roadshow materials relating to the Hong Kong Offer Shares and, in each case, all amendments or supplements thereto (the “**Hong Kong Public Offering Documents**”) and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or

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## UNDERWRITING

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misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions in any respect; or

- (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from any of the Hong Kong Public Offering Documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
- (c) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of our Group; or
- (d) there has been a material breach of any of the provisions of the Hong Kong Underwriting Agreement or the International Placing Agreement; or
- (e) any breach of, or any event or circumstance rendering untrue, incorrect or misleading in any respect, any of the representations, warranties and undertakings set out in Schedule 4 of the Hong Kong Underwriting Agreement; or
- (f) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (g) our Company withdraws this prospectus (and/or any other offering document issued or used in connection with the Global Offering) or the Global Offering; or



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## UNDERWRITING

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- (h) any expert named in the section headed “Appendix IV – Statutory and General Information – Other Information – 21. Qualification and consents of experts” of this prospectus has withdrawn its consent to being named in any of the Hong Kong Public Offering Documents or to the issue of any of the Hong Kong Public Offering Documents; or
- (i) that, as a result of material adverse and abrupt change in market conditions or otherwise, any material order placed by any investor immediately before the Price Determination Agreement is entered into, has been withdrawn or cancelled, and the Sole Global Coordinator, in its sole and absolute discretion after due consideration, conclude that it is therefore inadvisable or inexpedient or impracticable or not commercially viable to proceed with the Global Offering.

### *Undertakings to the Hong Kong Underwriters*

#### *Undertakings by our Company*

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-Allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), our Company undertakes to each of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sponsor, and the Hong Kong Underwriters not to, and to procure each other member of our Group not to, without the prior written consent of the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind (an “**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

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## UNDERWRITING

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all steps to ensure that it will not create a disorderly or false market in the securities of our Company. Our Controlling Shareholders undertake to each of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sponsor to procure our Company to comply with the undertakings.

### *Undertakings by our Controlling Shareholders*

Each of our Controlling Shareholders undertakes to each of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sponsor and the Hong Kong Underwriters that, without the prior written consent of the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, or any such other securities or any interest in any of the foregoing, as

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## UNDERWRITING

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applicable) (the “**Relevant Shares**”) or any interest in any company or entity holding, directly or indirectly, any of the Relevant Shares (the “**Holding Entity**”), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) or an interest in any Holding Entity, or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) in the paragraph headed “Undertakings to the Hong Kong Underwriters – Undertakings by our Company” under this section, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) in the paragraph headed “Undertakings to the Hong Kong Underwriters – Undertakings by our Company” under this section, in each case, whether any of the transactions specified in (i), (ii) or (iii) in the paragraph headed “Undertakings to the Hong Kong Underwriters – Undertakings by our Company” under this section is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

- (ii) it will not, during the Second Six-Month Period, enter into any of the transactions specified in (i), (ii) or (iii) in the paragraph headed “Undertakings to the Hong Kong Underwriters – Undertakings by our Company” under this section or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company; and
- (iii) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (i), (ii) or (iii) in the paragraph headed “Undertakings to the Hong Kong Underwriters – Undertakings by our Company” under this section or offer to or agrees to or announce any intention to effect any such transaction, it will take all steps to ensure that it will not create a disorderly or false market in the securities of our Company.

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## UNDERWRITING

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Each of our Controlling Shareholders further undertakes with the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sponsor, the Hong Kong Underwriters and our Company that, within the period commencing on the date of this prospectus and ending on the date which is 12 months after the Listing Date, it will immediately inform our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sponsor and the Hong Kong Underwriters of:

- (i) any pledges or charges of any Shares or other securities of our Company beneficially owned by it, together with the number of Shares or other securities of our Company so pledged or charged and the purpose for which such pledge or charge is to be created; and
- (ii) any indication received by it, either verbal or written, from the pledgee or chargee of any Shares or other securities of our Company pledged or charged that such Shares or other securities of our Company so pledged or charged will be disposed of.

Our Company agrees and undertakes to the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sponsor and the Hong Kong Underwriters that upon receiving such information in writing from any of our Controlling Shareholders, we shall, as soon as practicable, notify the Stock Exchange and make a public disclosure in relation to such information in accordance with the Listing Rules.

### ***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 that except pursuant to the Global Offering (including pursuant to the Over-Allotment Option) or the Stock Borrowing Agreement, or unless in compliance with the requirements of the Listing Rules, he shall not, and shall procure that the relevant registered holder(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; and (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 Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be our Controlling Shareholder.

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## UNDERWRITING

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Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that he will, within a period of commencing on the date by reference to which disclosure of his/her/its 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 our Controlling Shareholder in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, and the number of such Shares or other securities of our Company so pledged or charged; and
- (b) when he or the relevant requested holders 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.

### *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 Global Offering 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.

### **International Placing Agreement**

In connection with the International Placing, it is expected that our Company, our Controlling Shareholders, the Selling Shareholder and our executive Directors will enter into the International Placing Agreement with the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below.

We will grant to the International Underwriters the Over-Allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters, to require us to offer up to an aggregate of 25,920,000 additional Shares, together representing 15% of the number of Shares initially being offered under the Global Offering, at the Offer Price to solely cover over-allocations in the International Placing, if any.

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## UNDERWRITING

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Under the International Placing Agreement, subject to the conditions set forth therein, the International 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 International Placing Shares initially being offered pursuant to the International Placing. It is expected that the International Placing Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Prospective investors shall be reminded that in the event that the International Placing Agreement is not entered into, the Global Offering will not proceed. The International Placing Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the International Placing Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in the paragraph headed “Undertakings to the Hong Kong Underwriters” under this section.

### **Commission, fees and expenses**

The Hong Kong Underwriters will receive a gross underwriting commission of 3.5% of the aggregate Offer Price of the Hong Kong Offer Shares (including any International Placing Shares reallocated from the International Placing to the Hong Kong Public Offering) offered under the Hong Kong Public Offering out of which any sub-underwriting commission, praecipium and selling concession will be paid. The respective entitlements of the Hong Kong Underwriters to the underwriting commission will be paid as separately agreed among the Hong Kong Underwriters. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters.

Assuming the Over-Allotment Option is not exercised at all and based on the Offer Price of HK\$0.95 per Offer Share (being the mid-point of the indicative Offer Price range), the aggregate commission, 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 Global Offering, are estimated to amount to approximately HK\$29.4 million in total, and are payable by our Company, save for the commission relating to the Sale Shares sold by the Selling Shareholder pursuant to the International Placing together with the SFC transaction levy, the Stock Exchange trading fee and stamp duty attributable to or arising in connection with the sale and transfer of the Sale Shares will be borne by the Selling Shareholder.

### **SPONSOR’S AND UNDERWRITERS’ INTEREST IN OUR COMPANY**

The Sponsor will receive a sponsorship fee to the Global Offering. The Sole Global Coordinator and the Underwriters will receive an underwriting commission as described in the paragraph headed “Commission, fees and expenses” under this section.

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## UNDERWRITING

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Save as disclosed above, none of the Sponsor and the Underwriters is interested legally or beneficially in any Shares or other securities of our Company or 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 any Shares or other securities of our Company or any members of our Group or has any interest in the Global Offering. Following the completion of the Global Offering, the Underwriters and their respective affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement, the Stock Borrowing Agreement and/or the International Placing Agreement. The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

### **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 the completion of the Global Offering.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Altus Capital Limited is the Sponsor for the Listing. Crosby Securities Limited is the Sole Global Coordinator of the Global Offering. Crosby Securities Limited, China Tonghai Securities Limited, Shanxi Securities International Limited and CMBC Securities Company Limited are the Joint Bookrunners and the Joint Lead Managers of the Global Offering.

The Global Offering initially consists of:

- the Hong Kong Public Offering of 17,280,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below in the paragraph headed “The Hong Kong Public Offering” under this section; and
- the International Placing of initially 155,520,000 Offer Shares (comprising 142,720,000 New Shares and 12,800,000 Sale Shares) (subject to reallocation and the Over-Allotment Option as mentioned below) which will be conditionally be placed with selected professional, institutional, individual and other investors under the International Placing in reliance on Regulation S as described below in the paragraph headed “The International Placing” under this section.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Placing Shares under the International Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for Offer Shares in the Hong Kong Public Offering.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. Our Company and the Selling Shareholder expect to enter into the International Placing Agreement relating to the International Placing on the Price Determination Date. Details of the underwriting arrangements are summarised under the section headed “Underwriting” of this prospectus.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing may be subject to reallocation and, in the case of the International Placing only, the Over-Allotment Option as described in the paragraphs headed “Reallocation” and “Over-Allotment Option and stabilisation” below.



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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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The 172,800,000 Offer Shares in the Global Offering will represent 27.0% of our enlarged share capital immediately after the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme).

References in this prospectus to applications, Application Forms, application monies or procedure for applications relate solely to the Hong Kong Public Offering.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering and any Shares which may be issued pursuant to the exercise of the Over-Allotment Option will be conditional on, amongst others:

- (i) the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and the Capitalisation Issue, and the Shares to be issued pursuant to any exercise of the Over-Allotment Option and any options which may be granted under the Share Option Scheme and such listing and permission not subsequently having been revoked prior to the commencement of dealing in our Shares on the Stock Exchange;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Placing Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Placing Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event, not later than the date which is 30 days after the date of this prospectus.

**If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters), our Company and the Selling Shareholder by 12:00 noon on Monday, 11 November 2019, the Global Offering will not proceed and will lapse.**

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, amongst other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published on our website ([www.leverstyle.com](http://www.leverstyle.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out under the section headed "How to apply for the Hong Kong Offer Shares" of this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

**Share certificates for the Offer Shares are expected to be issued on Tuesday, 12 November 2019 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 13 November 2019 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the paragraph headed "Grounds for termination" under the section headed "Underwriting" of this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates bearing valid certificates of title do so entirely at their own risk.**

### THE HONG KONG PUBLIC OFFERING

#### Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 17,280,000 Offer Shares, representing 10.0% of the total number of Offer Shares initially available under the Global Offering (assuming that the Over-Allotment Option is not exercised). Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the number of Offer Shares offered under the Hong Kong Public Offering will represent approximately 2.7% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth below in the paragraph headed "Conditions of the Global Offering" in this section.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Public Offer is to be divided equally into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of HK\$5.0 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of more than HK\$5.0 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only apply for the Hong Kong Offer Shares in either pool A or pool B.

Accordingly, the maximum number of Hong Kong Offer Shares initially in pool A and pool B will be 8,640,000 and 8,640,000, respectively. Multiple or suspected multiple applications within either pool or between pools and any application for more than 8,640,000 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

### Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation at the discretion of the Sole Global Coordinator, subject to the following:

- (a) where the International Placing Shares are fully subscribed or oversubscribed:
  - (i) if the Hong Kong Offer Shares are undersubscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate;

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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- (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 17,280,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 34,560,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering;
  - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 51,840,000 Offer Shares (in the case of (1)), 69,120,000 Offer Shares (in the case of (2)) and 86,400,000 Offer Shares (in the case of (3)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering respectively;
- (b) where the International Placing Shares are undersubscribed:
- (i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
  - (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 17,280,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 34,560,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK\$0.85 per Offer Share).

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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In all cases of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Placing will be correspondingly reduced. The above clawback mechanism complies with paragraph 4.2 of Practice Note 18 of the Listing Rules and the Stock Exchange's Guidance Letter HKEX-GL91-18.

### **Applications**

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) 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 International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by Altus Capital Limited. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$1.05 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Price determination and allocation of the Global Offering" under this section, is less than the maximum price of HK\$1.05 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out under the section headed "How to apply for the Hong Kong Offer Shares" of this prospectus. References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### THE INTERNATIONAL PLACING

#### Number of Offer Shares initially offered

The International Placing will consist of an offering of initially 155,520,000 Offer Shares (comprising 142,700,000 New Shares and 12,800,000 Sale Shares), representing 90.0% of the Offer Shares under the Global Offering (subject to reallocation and the Over-Allotment Option). Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the number of Offer Shares offered under the International Placing will represent approximately 24.3% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme).

The International Placing is subject to the same conditions as stated in the paragraph headed “Conditions of the Global Offering” under this section.

#### Allocation

The International Placing will include selective marketing of Offer Shares to professional, institutional, individual and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong. 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.

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process described in the paragraph headed “Price determination and allocation of the Global Offering” under this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid shareholder base, including professional, institutional, individual and other investors, to the benefit of our Company and our Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

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## **STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING**

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### **Reallocation**

The total number of Offer Shares (other than the Sale Shares which are to be offered for sale by the Selling Shareholder pursuant to the International Placing) to be issued pursuant to the International Placing may change as a result of the clawback arrangement as described above in the paragraph headed “Reallocation” under this section and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

### **OVER-ALLOTMENT OPTION AND STABILISATION**

In connection with the Global Offering and pursuant to the International Placing Agreement, our Company is expected to grant the Over-Allotment Option to the International Underwriters, exercisable at the sole discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters).

Pursuant to the Over-Allotment Option, the Sole Global Coordinator (for itself and on behalf of the International Underwriters) has the right, exercisable at any time from the date of the International Placing Agreement until 30 days from the date of the last day of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to 25,920,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the same price per Share under the International Placing to cover over-allocations in the International Placing, if any. If the Over-Allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.9% of our enlarged share capital immediately following the completion of the Global Offering, the Capitalisation Issue and the exercise of the Over-Allotment Option (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme). In the event that the Over-Allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

### **Stock borrowing arrangement**

In order to facilitate the settlement of over-allocations in connection with the International Placing, the Stabilising Manager (or its affiliates or any person acting for it) may choose to borrow up to 25,920,000 Shares from Shareholders of our Company under Stock Borrowing Agreement, or acquire Shares from other sources, including the exercise of the Over-Allotment Option.

The Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. The Stock Borrowing Arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that it complies with the requirements set forth in Rule 10.07(3) of the Listing Rules which include (i) the stock borrowing arrangement being fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of Over-Allotment Option; (ii) the maximum number of Shares to be borrowed from Lever Style Holdings by the Stabilising



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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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Manager being the maximum number of Shares that may be issued upon full exercise of the Over-Allotment Option (being 25,920,000 Shares); (iii) the same number of Shares so borrowed being returned to Lever Style Holdings or its nominee (as the case may be) within 3 business days after the last day on which the Over-Allotment Option may be exercised, or if earlier, the date on which the Over-Allotment Option is exercised in full; (iv) borrowing of Shares pursuant to the stock borrowing arrangement being effected in compliance with the applicable Listing Rules, laws and other regulatory requirements; and (v) no payments being made to Lever Style holdings by the Stabilising Manager in relation to the stock borrowing arrangement.

### **Stabilisation action**

Under the Securities and Futures (Price Stabilizing) Rules under the SFO, stabilisation actions can be permitted only if the size of the Global Offering is equal to or more than HK\$100 million as described above. Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permitted to do so, in each case in compliance with all applicable laws, rules and regulations, including those of Hong Kong. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

Crosby Securities Limited has been appointed by us as the Stabilising Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view of stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilising action, which if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares which may be



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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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over-allocated will not exceed the number of Shares which may be allotted and issued by our Company under the Over-Allotment Option, namely 25,920,000 Shares in aggregate, which is 15% of the Shares initially available under the Global Offering.

Stabilisation action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong. Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO includes (i) over-allocations for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (iii) subscribing, or agreeing to subscribe, for our Shares pursuant to the Over-Allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; (v) selling, or agreeing to sell, our Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

The Stabilising Manager, its affiliates or any person acting for it, may take all or any of the above stabilising action in Hong Kong during the stabilisation period.

Specifically, prospective applicants for and investors in the Shares should note that:

- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a long position;
- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for it, may have an adverse impact on the market price of the Shares;
- stabilising action cannot be used to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the Stabilising period.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 25,920,000 additional Shares and cover such over-allocations by, among others, exercising the Over-Allotment Option and the Shares borrowed under the Stock Borrowing Agreement, which will be exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at their sole discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

### PRICE DETERMINATION AND ALLOCATION OF THE GLOBAL OFFERING

#### Determination of the Offer Price

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Wednesday, 6 November 2019, and in any event by 12:00 noon on Monday, 11 November 2019, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters), our Company and the Selling Shareholder.

The Offer Price will be not more than HK\$1.05 per Share and is expected to be not less than HK\$0.85 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum price of HK\$1.05 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$4,242.32 for one board lot of 4,000 Shares.

The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Placing. Prospective professional, institutional, individual and other investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to and to cease on or around, the last day of lodging applications under the Hong Kong Public Offering.

**Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### Change to the Offer Price range

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional, individual and other investors during the book-building process, and with the consent of our Company and the Selling Shareholder, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published:

- (a) a notice of the change on the website of the Stock Exchange at *www.hkexnews.hk* and our Company's website at *www.leverstyle.com*. The notice will include a confirmation or revision, as appropriate, of the working capital statement, the use of proceeds and the Global Offering statistics and any other financial information in this prospectus which may change as a result of any such change; and
- (b) such supplemental offering documents as may be required by laws of any governmental authority to be published in such manner as the relevant laws or governmental authority may require as soon as practicable following the decision to make the change.

We will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow prospective investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give prospective investors who had applied for the Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters), our Company and the Selling Shareholder, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of an extension or reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement, the use of proceeds and the Global

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## **STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING**

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Offering statistics as currently set out in this prospectus and any other financial information which may change as a result of such reduction. In the absence of any such notice and supplemental prospectus published in relation to the reduction in the Offer Price, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus. If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants who have submitted an application under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

If you have already submitted an application for the Offer Shares before the last day for lodging applications under the Global Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants 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.

The final Offer Price, the levels of indication of interest in the International Placing, the results of applications and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Tuesday, 12 November 2019 in the manner set out in the paragraph headed “11. Publication of results” under the section headed “How to apply for the Hong Kong Offer Shares” of this prospectus.

### **UNDERWRITING AGREEMENTS**

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Placing Agreement relating to the International Placing on the Price Determination Date.

Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Placing Agreement, are summarised under the section headed “Underwriting” in this prospectus.

### **DEALINGS**

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 13 November 2019, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 13 November 2019, and will be traded in board lots of 4,000 Shares.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at *www.hkeipo.com.hk*; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the Joint Bookrunners and Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through *www.hkeipo.com.hk*.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. from Thursday, 31 October 2019 until 12:00 noon, Wednesday, 6 November 2019 from:

- (i) any of the following offices of the Joint Lead Managers:

<b>Crosby Securities Limited</b>	5th Floor, Capital Centre 151 Gloucester Road Wanchai, Hong Kong
<b>China Tonghai Securities Limited</b>	18th-19th Floor, China Building 29 Queen's Road Central Hong Kong
<b>Shanxi Securities International Limited</b>	Unit A, 29th Floor Admiralty Centre Tower 1 18 Harcourt Road Admiralty, Hong Kong
<b>CMBC Securities Company Limited</b>	45th Floor, One Exchange Square 8 Connaught Place Central, Hong Kong

- (ii) any of the following branches of the receiving bank:

#### **Bank of China (Hong Kong) Limited**

	<b>Branch</b>	<b>Address</b>
<b>Hong Kong Island</b>	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai, Hong Kong
<b>Kowloon</b>	Prince Edward Road West (Mong Kok) Branch	116-118 Prince Edward Road West, Mong Kok, Kowloon
<b>New Territories</b>	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O, New Territories
	City One Sha Tin Branch	Shop Nos.24-25, G/F, Fortune City One Plus, No.2 Ngan Shing Street, Sha Tin, New Territories



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m., Thursday, 31 October 2019 until 12:00 noon, Wednesday, 6 November 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from 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 "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED – LEVER STYLE 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 dates and times:

**Thursday, 31 October 2019 – 9:00 a.m. to 5:00 p.m.**  
**Friday, 1 November 2019 – 9:00 a.m. to 5:00 p.m.**  
**Saturday, 2 November 2019 – 9:00 a.m. to 1:00 p.m.**  
**Monday, 4 November 2019 – 9:00 a.m. to 5:00 p.m.**  
**Tuesday, 5 November 2019 – 9:00 a.m. to 5:00 p.m.**  
**Wednesday, 6 November 2019 – 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 6 November 2019, the last application day or such later time as described in "Effect of bad weather and/or extreme conditions on the opening of the applications lists" in this section.

#### **4. TERMS AND CONDITIONS OF AN APPLICATION**

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Selling Shareholder, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, the Selling Shareholder, our Hong Kong Branch Share Registrar, receiving bank, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Selling Shareholder, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company (for ourselves and on behalf of the Selling Shareholder) and/or its agents to send any Share certificate(s) and/or any e-Refund system payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Selling Shareholder, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional instructions for Yellow Application Form**

You may refer to the **Yellow** Application Form for details.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

#### General

Individuals who meet the criteria in the paragraph headed “2. Who can apply” in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at *www.hkeipo.com.hk*.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

#### Time for submitting applications under the HK eIPO White Form service

You may submit your application to the **HK eIPO White Form** Service Provider at *www.hkeipo.com.hk* (24 hours daily, except on the last application day) from 9:00 a.m., Thursday, 31 October 2019 until 11:30 a.m., Wednesday, 6 November 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Wednesday, 6 November 2019 or such later time in the paragraph headed “10. Effects of bad weather on the opening of the applications lists” in this section.

#### No multiple applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

#### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company, the Selling Shareholder and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979-7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Center  
1/F, One & Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

#### Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
- (if 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, the Selling Shareholder, the Directors, the Sole Global Coordinator, Joint Bookrunners, Joint Lead Managers and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- agree that none of our Company, the Selling Shareholder, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Selling Shareholder, our Hong Kong Branch Share Registrar, receiving bank, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, 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 Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- 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 Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Hong Kong Offer Shares. Instructions for more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates<sup>(Note 1)</sup>:

<b>Thursday, 31 October 2019</b>	<b>– 9:00 a.m. to 8:30 p.m.</b>
<b>Friday, 1 November 2019</b>	<b>– 8:00 a.m. to 8:30 p.m.</b>
<b>Saturday, 2 November 2019</b>	<b>– 8:00 a.m. to 1:00 p.m.</b>
<b>Monday, 4 November 2019</b>	<b>– 8:00 a.m. to 8:30 p.m.</b>
<b>Tuesday, 5 November 2019</b>	<b>– 8:00 a.m. to 8:30 p.m.</b>
<b>Wednesday, 6 November 2019</b>	<b>– 8:00 a.m. to 12:00 noon</b>

*Note:*

1. These 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.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m., Thursday, 31 October 2019 until 12:00 noon, Wednesday, 6 November 2019 (24 hours daily, except on Wednesday, 6 November 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon, Wednesday, 6 November 2019, the last application day or such later time as described in “Effect of bad weather and/or extreme conditions on the opening of the application lists” in this section.

### No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company, the Selling Shareholder and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### Personal data

The section of the Application Form headed “Personal data” applies to any personal data held by our Company, the Selling Shareholder, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Selling Shareholder, the Directors, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before Wednesday, 6 November 2019.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of our company;
- control more than half of the voting power of our company; or
- hold more than half of the issued share capital of our company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.hkeipo.com.hk](http://www.hkeipo.com.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the paragraph headed “Price determination and allocation of the Global Offering” under the section headed “Structure and conditions of the Global Offering” of this prospectus.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above; or
- an announcement of “extreme conditions” by the Hong Kong Government in accordance with the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Hong Kong Labour Department in June 2019; and/or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 6 November 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 6 November 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or extreme conditions in force in Hong Kong that may affect the dates mentioned under the section headed “Expected timetable” of this prospectus, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, 12 November 2019 on our Company’s website at [www.leverstyle.com](http://www.leverstyle.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at [www.leverstyle.com](http://www.leverstyle.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m., Tuesday, 12 November 2019;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) or [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult) with a “search by ID” function on a 24-hour basis from 8:00 a.m., Tuesday, 12 November 2019 to 12:00 midnight, Monday, 18 November 2019;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- by telephone enquiry line by calling 36918488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 12 November 2019 to Friday, 15 November 2019 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 12 November 2019 to Thursday, 14 November 2019 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offering Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained under the section headed "Structure and conditions of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

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.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.05 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Global Offering are not fulfilled in accordance with the section headed “Structure and conditions of the Global Offering” of 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 Tuesday, 12 November 2019.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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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 despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Tuesday, 12 November 2019. 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 Wednesday, 13 November 2019 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal collection**

#### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 November 2019 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 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 12 November 2019, by ordinary post and at your own risk.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 12 November 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 12 November 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m., Tuesday, 12 November 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

***(iii) If you apply through the HK eIPO White Form service***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 a.m. on Tuesday, 12 November 2019, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund system payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 12 November 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund system payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

*(iv) If you apply via electronic application instructions to HKSCC*

*Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of share certificates into CCASS and refund of application monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 12 November 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Tuesday, 12 November 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m., Tuesday, 12 November 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 12 November 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 12 November 2019.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-60, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*

**Deloitte.****德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LEVER STYLE CORPORATION AND ALTUS CAPITAL LIMITED****Introduction**

We report on the historical financial information of Lever Style Corporation (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-60, which comprises the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 April 2019, the statement of financial position of the Company as at 30 April 2019, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 (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-60 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 October 2019 (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 preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company 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 ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 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 of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2016, 2017 and 2018 and 30 April 2019, of the Company's financial position as at 30 April 2019, 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 Note 2 to the Historical Financial Information.

### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 30 April 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes



us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

*Dividends*

We refer to Note 13 to the Historical Financial Information which contains information about the dividends declared and paid by the group entities comprising the Group in respect of the Track Record Period and states that no dividend was declared or paid by the Company since its incorporation.

*No historical financial statements for the Company*

No financial statements have been prepared for the Company since its date of incorporation.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
31 October 2019

**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 consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in United States dollars ("US\$").

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

	NOTES	Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
		US\$	US\$	US\$	US\$ <i>(unaudited)</i>	US\$
Revenue	6	100,596,337	100,794,678	115,885,610	34,985,363	37,203,030
Cost of sales		<u>(82,177,011)</u>	<u>(76,097,393)</u>	<u>(85,625,648)</u>	<u>(26,125,798)</u>	<u>(26,737,890)</u>
Gross profit		18,419,326	24,697,285	30,259,962	8,859,565	10,465,140
Other income	7	386,661	131,565	447,190	68,012	99,899
Other gains and losses	8	1,856,631	7,204	(162,093)	2,470	(33,365)
Selling and distribution expenses		(7,634,526)	(10,920,092)	(13,200,743)	(3,774,310)	(4,459,549)
Administrative expenses		(8,130,202)	(7,951,129)	(8,779,651)	(2,957,062)	(3,282,804)
Finance costs	9	(485,037)	(527,092)	(559,987)	(150,687)	(254,434)
Listing expenses		<u>–</u>	<u>–</u>	<u>(286,662)</u>	<u>–</u>	<u>(809,640)</u>
Profit before tax		4,412,853	5,437,741	7,718,016	2,047,988	1,725,247
Income tax expense	10	<u>(495,656)</u>	<u>(941,356)</u>	<u>(1,254,026)</u>	<u>(305,902)</u>	<u>(347,302)</u>
Profit for the year/period	11	<u>3,917,197</u>	<u>4,496,385</u>	<u>6,463,990</u>	<u>1,742,086</u>	<u>1,377,945</u>
<b>Other comprehensive (expense) income</b>						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences arising on translation of foreign operations		(514,884)	381,381	(504,631)	(300,808)	57,803
Reclassification of exchange reserve upon disposal of subsidiaries		<u>(1,886,671)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Other comprehensive (expense) income for the year/period		<u>(2,401,555)</u>	<u>381,381</u>	<u>(504,631)</u>	<u>(300,808)</u>	<u>57,803</u>
Total comprehensive income for the year/period		<u>1,515,642</u>	<u>4,877,766</u>	<u>5,959,359</u>	<u>1,441,278</u>	<u>1,435,748</u>
Earnings per share – basic (US cents)	14	<u>0.82</u>	<u>0.94</u>	<u>1.35</u>	<u>0.36</u>	<u>0.29</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group				The Company
		As at 31 December			As at	As at
		2016 US\$	2017 US\$	2018 US\$	30 April 2019 US\$	30 April 2019 US\$
<b>Non-current assets</b>						
Plant and equipment	15	880,965	1,319,812	1,066,790	1,046,488	–
Right-of-use assets	16	2,000,983	1,503,351	945,118	790,576	–
Investment in a subsidiary	40(a)	–	–	–	–	14,344,150
		<u>2,881,948</u>	<u>2,823,163</u>	<u>2,011,908</u>	<u>1,837,064</u>	<u>14,344,150</u>
<b>Current assets</b>						
Inventories	17	16,363,590	17,016,300	15,316,485	14,899,704	–
Trade and bills receivables	18	17,798,682	14,115,346	7,899,191	5,704,754	–
Trade receivables at fair value through other comprehensive income	19	–	–	6,667,185	3,787,940	–
Deposits, prepayments and other receivables	20	3,300,570	3,935,677	7,572,528	9,823,107	–
Tax reserve certificates	21	591,406	650,829	650,413	648,126	–
Tax recoverable		–	8,129	77,011	87,493	–
Amounts due from directors	22	–	327,425	–	–	–
Amount due from immediate holding company	22	1,935	–	–	–	–
Amount due from a related company	22	1,906,784	–	–	–	–
Bank balances and cash	23	1,843,867	2,902,613	3,142,593	5,395,604	13
		<u>41,806,834</u>	<u>38,956,319</u>	<u>41,325,406</u>	<u>40,346,728</u>	<u>13</u>
<b>Current liabilities</b>						
Trade and bills payables	24	20,843,887	15,211,881	14,241,308	11,020,598	–
Other payables and accruals	25	1,288,152	2,367,261	2,788,647	3,435,536	–
Contract liabilities	26	108,254	80,034	611,148	467,811	–
Lease liabilities	27	548,351	543,310	543,555	564,998	–
Amount due to a director	22	–	95,358	–	–	–
Amounts due to related companies	22	757,106	173,980	727,504	–	–
Amount due to a subsidiary	40(c)	–	–	–	–	809,640
Dividend payable		–	3,525,945	2,868,898	2,858,811	–
Tax payables		235,712	563,432	446,037	810,974	–
Bank borrowings	28	10,401,095	7,435,804	7,156,181	7,820,513	–
		<u>34,182,557</u>	<u>29,997,005</u>	<u>29,383,278</u>	<u>26,979,241</u>	<u>809,640</u>
<b>Net current assets (liabilities)</b>		<u>7,624,277</u>	<u>8,959,314</u>	<u>11,942,128</u>	<u>13,367,487</u>	<u>(809,627)</u>
<b>Total assets less current liabilities</b>		<u>10,506,225</u>	<u>11,782,477</u>	<u>13,954,036</u>	<u>15,204,551</u>	<u>13,534,523</u>
<b>Non-current liabilities</b>						
Lease liabilities	27	1,428,960	948,396	391,827	215,943	–
Bank borrowings	28	52,888	94,180	63,502	52,897	–
Deferred tax liabilities	29	9,226	42,969	38,529	39,785	–
		<u>1,491,074</u>	<u>1,085,545</u>	<u>493,858</u>	<u>308,625</u>	<u>–</u>
		<u>9,015,151</u>	<u>10,696,932</u>	<u>13,460,178</u>	<u>14,895,926</u>	<u>13,534,523</u>
<b>Capital and reserves</b>						
Share capital	30	10,286	11,428	11,428	26	26
Reserves		9,004,865	10,685,504	13,448,750	14,895,900	13,534,497
		<u>9,015,151</u>	<u>10,696,932</u>	<u>13,460,178</u>	<u>14,895,926</u>	<u>13,534,523</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital US\$	Share premium US\$	Merger reserve US\$ (note i)	Statutory reserve US\$ (note ii)	Exchange reserve US\$	Share option reserve US\$	Retained profits US\$	Total US\$
At 1 January 2016	10,286	-	-	1,390,619	2,096,513	-	3,605,639	7,103,057
Profit for the year	-	-	-	-	-	-	3,917,197	3,917,197
Exchange differences arising on translation of foreign operations	-	-	-	-	(514,884)	-	-	(514,884)
Reclassification upon disposal of subsidiaries	-	-	-	(1,390,619)	(1,886,671)	-	1,390,619	(1,886,671)
Total comprehensive (expense) income for the year	-	-	-	(1,390,619)	(2,401,555)	-	5,307,816	1,515,642
Recognition of equity-settled share based payments	-	-	-	-	-	396,452	-	396,452
Transfer to statutory reserve	-	-	-	18,176	-	-	(18,176)	-
At 31 December 2016	10,286	-	-	18,176	(305,042)	396,452	8,895,279	9,015,151
Profit for the year	-	-	-	-	-	-	4,496,385	4,496,385
Exchange differences arising on translation of foreign operations	-	-	-	-	381,381	-	-	381,381
Total comprehensive income for the year	-	-	-	-	381,381	-	4,496,385	4,877,766
Transfer to statutory reserve	-	-	-	28,567	-	-	(28,567)	-
Exercise of equity-settled share based payments	914	909,206	-	-	-	(396,452)	-	513,668
Issue of shares (Note 30)	228	127,908	-	-	-	-	-	128,136
Dividends recognised as distribution (Note 13)	-	-	-	-	-	-	(3,837,789)	(3,837,789)
At 31 December 2017	11,428	1,037,114	-	46,743	76,339	-	9,525,308	10,696,932
Profit for the year	-	-	-	-	-	-	6,463,990	6,463,990
Exchange differences arising on translation of foreign operations	-	-	-	-	(504,631)	-	-	(504,631)
Total comprehensive (expense) income for the year	-	-	-	-	(504,631)	-	6,463,990	5,959,359
Transfer to statutory reserve	-	-	-	40,998	-	-	(40,998)	-
Dividends recognised as distribution (Note 13)	-	-	-	-	-	-	(3,196,113)	(3,196,113)
At 31 December 2018	11,428	1,037,114	-	87,741	(428,292)	-	12,752,187	13,460,178

	Share capital US\$	Share premium US\$	Merger reserve US\$ (note i)	Statutory reserve US\$ (note ii)	Exchange reserve US\$	Share option reserve US\$	Retained profits US\$	Total US\$
At 1 January 2019	11,428	1,037,114	-	87,741	(428,292)	-	12,752,187	13,460,178
Profit for the period	-	-	-	-	-	-	1,377,945	1,377,945
Exchange differences arising on translation of foreign operations	-	-	-	-	57,803	-	-	57,803
Total comprehensive income for the period	-	-	-	-	57,803	-	1,377,945	1,435,748
Transfer to statutory reserve	-	-	-	19,805	-	-	(19,805)	-
Effect of reorganisation (Note 2)	(11,402)	13,307,023	(13,295,621)	-	-	-	-	-
At 30 April 2019	<u>26</u>	<u>14,344,137</u>	<u>(13,295,621)</u>	<u>107,546</u>	<u>(370,489)</u>	<u>-</u>	<u>14,110,327</u>	<u>14,895,926</u>
<b>For the four months ended 30 April 2018 (unaudited)</b>								
At 1 January 2018	11,428	1,037,114	-	46,743	76,339	-	9,525,308	10,696,932
Profit for the period	-	-	-	-	-	-	1,742,086	1,742,086
Exchange differences arising on translation of foreign operations	-	-	-	-	(300,808)	-	-	(300,808)
Total comprehensive (expense) income for the period	-	-	-	-	(300,808)	-	1,742,086	1,441,278
Transfer to statutory reserve	-	-	-	9,775	-	-	(9,775)	-
At 30 April 2018	<u>11,428</u>	<u>1,037,114</u>	<u>-</u>	<u>56,518</u>	<u>(224,469)</u>	<u>-</u>	<u>11,257,619</u>	<u>12,138,210</u>

*Notes:*

- (i) The amount represents the difference between the total equity of Lever Style Inc. and its subsidiaries and the nominal value of share capital issued by the Company pursuant to the Reorganisation (as defined in Note 2).
- (ii) According to the relevant laws of the People's Republic of China (the "PRC"), the Company's subsidiaries established in the PRC have to transfer 10% of their profits after taxation to the statutory reserve. The transfer to this reserve must be made before the distribution of a dividend to the equity owners. The transfer can cease when the balance of the reserve reaches 50% of the registered capital of the respective subsidiaries. The reserve can be applied either to set off accumulated losses or to increase capital.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Four months ended 30 April	
	2016 US\$	2017 US\$	2018 US\$	2018 US\$ <i>(unaudited)</i>	2019 US\$
<b>OPERATING ACTIVITIES</b>					
Profit before tax	4,412,853	5,437,741	7,718,016	2,047,988	1,725,247
Adjustments for:					
Finance costs	485,037	527,092	559,987	150,687	254,434
Interest income	(3,714)	(3,634)	(3,229)	(292)	(850)
Depreciation of plant and equipment	136,238	256,042	349,831	117,030	120,189
Depreciation of right-of-use assets	502,782	570,843	562,758	193,620	184,111
Share-based payment expense	396,452	–	–	–	–
Gain on disposal of subsidiaries	(2,012,275)	–	–	–	–
Operating cash flows before movements in working capital	3,917,373	6,788,084	9,187,363	2,509,033	2,283,131
(Increase) decrease in inventories	(7,388,577)	(779,839)	1,684,194	5,523,167	363,161
(Increase) decrease in trade and bills receivables	(4,182,574)	3,941,652	5,896,374	1,944,528	2,168,058
Increase in deposits, prepayments and other receivables	(1,303,219)	(662,492)	(3,632,156)	(434,799)	(2,278,672)
(Increase) decrease in trade receivables at fair value through other comprehensive income	–	–	(6,667,185)	(4,789,017)	2,857,641
Purchase of tax reserve certificates	(57,980)	(64,189)	–	–	–
Decrease in amount due from a related company	1,920,930	1,898,833	–	–	–
Increase (decrease) in trade and bills payables	16,582,353	(5,494,110)	(956,110)	(1,369,664)	(3,172,678)
(Decrease) increase in other payables and accruals	(1,992,621)	1,064,856	342,712	507,732	657,117
Increase (decrease) in contract liabilities	61,076	(27,487)	530,069	165,665	(141,279)
Cash generated from operations	7,556,761	6,665,308	6,385,261	4,056,645	2,736,479
Income taxes (paid) refunded	(236,544)	(586,727)	(1,444,578)	(209,235)	8,269
<b>NET CASH FROM OPERATING   ACTIVITIES</b>	<b>7,320,217</b>	<b>6,078,581</b>	<b>4,940,683</b>	<b>3,847,410</b>	<b>2,744,748</b>



	NOTES	Year ended 31 December			Four months ended 30 April	
		2016 US\$	2017 US\$	2018 US\$	2018 US\$ (unaudited)	2019 US\$
<b>INVESTING ACTIVITIES</b>						
Disposal of subsidiaries	32	(242,220)	–	–	–	–
Repayment from immediate holding company		101,561	1,926	–	–	–
Interest received		3,714	3,634	3,229	292	850
Purchase of plant and equipment		(982,999)	(666,825)	(129,172)	(46,138)	(80,757)
Advance to immediate holding company		(103,496)	–	–	–	–
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(1,223,440)</b>	<b>(661,265)</b>	<b>(125,943)</b>	<b>(45,846)</b>	<b>(79,907)</b>
<b>FINANCING ACTIVITIES</b>						
Repayment of bank borrowings	37	(44,767,574)	(41,566,951)	(21,152,126)	(8,860,907)	(5,290,033)
Net (repayment of) addition of trust receipt loans	37	(5,152,685)	(2,450,315)	(336,268)	(1,315,857)	449,814
Interest paid	37	(485,037)	(527,092)	(559,987)	(150,687)	(254,434)
Dividend paid	37	–	–	(3,516,417)	–	–
New bank borrowings raised	37	44,268,209	41,163,468	21,183,538	9,811,555	5,519,768
Advance from (repayment to) a director	37	–	95,614	(95,020)	(95,020)	–
Repayment to related companies	37	(434,116)	(579,355)	(27,948)	–	(725,412)
Advance from related companies	37	932,075	–	580,433	405,852	–
Repayment of lease liabilities	37	(527,337)	(558,153)	(561,240)	(190,562)	(109,660)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(6,166,465)</b>	<b>(4,422,784)</b>	<b>(4,485,035)</b>	<b>(395,626)</b>	<b>(409,957)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(69,688)</b>	<b>994,532</b>	<b>329,705</b>	<b>3,405,938</b>	<b>2,254,884</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD</b>		<b>2,002,773</b>	<b>1,843,867</b>	<b>2,902,613</b>	<b>2,902,613</b>	<b>3,142,593</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>(89,218)</b>	<b>64,214</b>	<b>(89,725)</b>	<b>(29,586)</b>	<b>(1,873)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD represented by bank balances and cash</b>		<b>1,843,867</b>	<b>2,902,613</b>	<b>3,142,593</b>	<b>6,278,965</b>	<b>5,395,604</b>

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. GENERAL**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 February 2019. The addresses of the Company's registered office and the principal place of business are disclosed under the section headed "Corporate Information" in the Prospectus.

Its immediate and ultimate holding company are Lever Style Holdings Limited ("Lever Style Holdings") and Imaginative Company Limited respectively. The ultimate controlling shareholder of the Group is Mr. Szeto Chi Yan Stanley ("Mr. Szeto") who has been the controlling shareholder of the Group (the "Controlling Shareholder") historically and throughout the Track Record Period.

The Company is an investment holding company. The principal activities of its subsidiaries are mainly trading of garment.

The Historical Financial Information is presented in US\$, which is the same as the functional currency of the Company.

**2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The companies now comprising the Group underwent a series of reorganisation (the "Reorganisation"). Prior to the Reorganisation, Lever Style Inc. was owned as to 63.68% by Lever Style Holdings, 21.88% by Fung Trinity Holdings Limited ("Fung Trinity"), 4.43% by Mr. Yuen Kam Sun ("Mr. Yuen"), 0.66% by Mr. Andersen Dee Allen ("Mr. Andersen"), 1.35% by Ms. Haruko Enomoto ("Ms. Enomoto"), 5% by Dr. Chan Yuk Mau, Eddie ("Dr. Chan") and 3% by Mr. Lee Yiu Ming ("Mr. Lee"), and was ultimately controlled by the Controlling Shareholder.

On 27 February 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Upon incorporation, 1 share was allotted and issued to a representative of Conyers Trust Company (Cayman) Limited and transferred to Mr. Lee, following which 6,368 shares, 2,188 shares, 443 shares, 66 shares, 135 shares, 500 shares and 299 shares were allotted and issued to Lever Style Holdings, Fung Trinity, Mr. Yuen, Mr. Andersen, Ms. Enomoto, Dr. Chan and Mr. Lee respectively for cash at par.

On 8 April 2019, pursuant to the sale and purchase agreement entered into between the Company and the shareholders of Lever Style Inc., all shares held by the shareholders in Lever Style Inc. were transferred to the Company for shares in the Company.

Upon completion of the Reorganisation on 8 April 2019, the Company became the holding company of the companies now comprising the Group and the entities comprising the Group are controlled by the Controlling Shareholder before and after the Reorganisation.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period have been prepared to present the results, changes in equity and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the Track Record Period or since the respective dates of incorporation or establishment where there is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 April 2019 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

**3. APPLICATION OF HKFRSs**

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations issued by the HKICPA, which are effective for the accounting period beginning on 1 January 2019, including HKFRS 16 "Leases" using the modified retrospective approach (including practical expedient permitted by HKFRS 16) and HKFRS 15 "Revenue from Contracts with Customers" which are effective for the accounting period beginning on 1 January 2018, throughout the Track Record Period except that the Group adopted HKFRS 9 "Financial Instruments" on 1 January 2018 and HKAS 39 "Financial Instruments: Recognition and Measurement" for the two years ended 31 December 2017. The accounting policies for these HKFRSs are set out in Note 4 as below.

**HKFRS 9 “Financial Instruments”**

For the year ended 31 December 2018 and the four months ended 30 April 2019, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

***Classification and measurement of financial assets***

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	<i>Note</i>	<b>Financial assets previously classified as loans and receivables</b> <i>US\$</i>	<b>Trade receivables at fair value through other comprehensive income</b> <i>US\$</i>	<b>Financial assets at amortised costs</b> <i>US\$</i>
Closing balance at 31 December 2017 (under HKAS 39)		17,985,573	–	–
Effect arising from initial application of HKFRS 9:				
Reclassification from loans and receivables	(a)	<u>(17,985,573)</u>	<u>8,291,972</u>	<u>9,693,601</u>
Opening balance at 1 January 2018 (under HKFRS 9)		<u>–</u>	<u>8,291,972</u>	<u>9,693,601</u>

**(a) *Loans and receivables***

From loans and receivables to trade receivables at fair value through other comprehensive income.

As part of the Group’s cash flow management, the Group has the practice of factoring certain trade receivables to financial institutions before the receivables are due for repayment. The factored trade receivables are derecognised on the basis that the Group has transferred substantially all the risks and rewards to the relevant counterparties. Accordingly, the Group’s trade receivables of US\$8,291,972 were considered as within the hold to collect contractual cash flows and to sell business model, and reclassification to trade receivables at fair value through other comprehensive income.

***Impairment of financial assets***

As at 1 January 2018, the directors of the Company have reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9. No additional ECL allowance is recognised as the amount involved is insignificant.

At the date of this report, the HKICPA has issued the following new standards, amendments and interpretations to HKFRSs that are not yet effective. The Group has not early adopted these new standards, amendments and interpretations to HKFRSs.

HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 3	Definition of a Business <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>

- <sup>1</sup> Effective for annual periods beginning on or after a date to be determined.
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2021.
- <sup>3</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of the above new and revised HKFRSs will have no material impact on the future financial information of the Group.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

#### Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### **Merger accounting for business combination involving businesses under common control**

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

#### **Investment in a subsidiary**

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less accumulated impairment losses.

#### **Revenue from contracts with customers**

Revenue is recognised to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. Specifically, the Group uses 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

The Group recognises revenue when (or as) a performance obligations is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

#### **Sales of goods**

The Group sells garment products to notable digitally native and conventional premium customers. Revenue is recognised when control of goods has transferred, that is, when the goods have been shipped to the customers' specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

#### **Leases**

##### ***The Group as lessee***

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset—this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physical distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 "Leases" and HK(IFRIC) 4 "Determining whether an Arrangement contains a Lease" were not reassessed for whether there is a lease. Therefore, the definition of a lease under HKFRS 16 was applied only to contracts entered into or changed on or after 1 January 2016.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability represent the fixed payments of the lease.

The lease liability is measured at amortised cost using the effective interest method.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statements of financial position.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17:

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

#### ***Short-term leases and leases of low-value assets***

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.



For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Retirement benefits costs**

Payments to the state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

**Short-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

**Share-based payment arrangements**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed to profit or loss on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

For grants of shares that vest immediately at the date of grant, the fair value of the awarded shares is recognised immediately in profit or loss.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.



Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### **Plant and equipment**

Plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Impairment losses**

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit.

The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### ***Financial assets***

##### Before the application of HKFRS 9 on 1 January 2018

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, amounts due from directors, amount due from immediate holding company, amount due from a related company and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

#### ***Impairment of loans and receivables***

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### After application of HKFRS 9 on 1 January 2018

##### *Classification and subsequent measurement of financial assets*

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

##### *(i) Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income in profit or loss is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period.

If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

*(ii) Receivables classified as at FVTOCI*

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in other comprehensive income ("OCI"). Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these receivables had been measured at amortised cost. When these receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

*Impairment of financial assets*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (include trade and bills receivables, trade receivables at FVTOCI, other receivables, amounts due from directors, amount due from immediate holding company, amount due from a related company and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets is assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on whether there are significant increases in the likelihood or risk of a default occurring since initial recognition.

*Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 to 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### *Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

#### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

#### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

*Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weight.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments;
- past-due status;
- nature, size and industry of debtors; and
- external credit ratings, where available.

The grouping is regularly reviewed by the management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For receivables that are measured at FVTOCI, the loss allowance is recognised in OCI without reducing the carrying amount of these receivables.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

**Financial liabilities and equity***Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

*Financial liabilities at amortised cost*

Financial liabilities including trade and bills payables, other payables, amount due to a director, amounts due to related companies, dividend payable and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make 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 may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Critical judgements in applying accounting policies**

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

**Principal versus agent consideration (principal)**

The Group engages in trading of garment. Upon application of HKFRS 15, the Group reassessed whether the Group should continue to recognise revenue on gross basis based on the requirements in HKFRS 15. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods and the Group has inventory risk.

**Key sources of estimation uncertainty****Estimated impairment of trade and bills receivables and trade receivables at FVTOCI**

Prior to 1 January 2018, when there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where applicable). Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise. As at 31 December 2016 and 2017, the carrying amounts of trade and bills receivables were US\$17,798,682 and US\$14,115,346, respectively.



Starting from 1 January 2018, the management of the Group estimates the amount of loss allowance of trade and bills receivables and trade receivables at FVTOCI based on the historical credit loss experience, adjusted for factors that are specified to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The assessment of credit risk of trade and bills receivables and trade receivables at FVTOCI involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may adjust in the year of revision accordingly. As at 31 December 2018 and 30 April 2019, the carrying amounts of trade and bills receivables was US\$7,899,191 and US\$5,704,754, respectively, and the carrying amounts of trade receivables at FVTOCI was US\$6,667,185 and US\$3,787,940, respectively. Details are disclosed in notes 18 and 19.

#### Allowance for inventories

Inventories are stated at the lower of cost and net realisable values. Management has determined the allowance for obsolete and slow-moving inventory items at the end of the reporting period with reference to the inventory ageing analysis, expected market conditions, and by comparing the carrying amounts of inventories with their estimated net realisable values, primarily based on the latest selling prices. When estimating the net realisable values of the inventories, significant degree of management judgement, assumptions and estimation are applied. When the net realisable values of the inventories are lower than expectation, further allowance may arise. As at 31 December 2016, 2017 and 2018 and 30 April 2019, the carrying amount of inventories were US\$16,363,590, US\$17,016,300, US\$15,316,485 and US\$14,899,704, respectively.

## 6. REVENUE AND SEGMENT INFORMATION

During the Track Record Period, the Group's revenue represents the amounts received and receivable from the sales of garment to external customers. All revenue are recognised at a point in time when the customers obtains control of goods delivered.

Information reported to Mr. Szeto, being the chief operating decision maker (the "CODM") of the Company, in order to allocate resources and to assess performance, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is reviewed. Accordingly, no operating segment information is presented and only entity-wide disclosures as below are presented.

#### Types of goods

Set out below is the breakdown of revenue by apparel categories during the Track Record Period:

	Year ended 31 December			Four months ended 30 April	
	2016 US\$	2017 US\$	2018 US\$	2018 US\$	2019 US\$
				<i>(unaudited)</i>	
Shirts	52,343,273	47,405,448	53,011,929	16,112,817	18,981,667
Bottoms	22,745,504	28,540,433	27,975,752	10,162,552	10,072,332
Suit	17,035,192	15,314,589	20,030,184	4,966,614	4,372,614
Outerwear	6,602,422	6,974,484	11,132,728	2,534,953	1,879,433
Others	1,869,946	2,559,724	3,735,017	1,208,427	1,896,984
Total	<u>100,596,337</u>	<u>100,794,678</u>	<u>115,885,610</u>	<u>34,985,363</u>	<u>37,203,030</u>



**Geographical information**

Information about the Group's revenue from external customers is presented based on the home country (location of customers' headquarters) of customer's brands.

	Year ended 31 December			Four months ended 30 April	
	2016 US\$	2017 US\$	2018 US\$	2018 US\$	2019 US\$
				<i>(unaudited)</i>	
United States of America	64,719,915	67,580,615	79,562,671	22,054,551	27,527,933
Greater China <sup>#</sup>	15,586,396	14,581,792	13,302,192	6,441,118	2,908,917
Europe	13,315,262	14,433,968	16,277,991	4,319,802	5,390,711
Others	6,974,764	4,198,303	6,742,756	2,169,892	1,375,469
	<u>100,596,337</u>	<u>100,794,678</u>	<u>115,885,610</u>	<u>34,985,363</u>	<u>37,203,030</u>

# Greater China primarily includes the PRC, Hong Kong, Macau and Taiwan.

All of the Group's identifiable non-current assets are located in the PRC and Hong Kong.

**Information about major customers**

All of the Group's revenue are made directly with the customers and the contracts with the Group's customers are mainly short-term and at fixed price.

Revenue from individual customer contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016 US\$	2017 US\$	2018 US\$	2018 US\$	2019 US\$
				<i>(unaudited)</i>	
Customer A	20,387,283	28,194,376	38,869,677	10,023,046	10,139,720
Customer B	14,426,799	13,441,773	13,969,914	N/A (Note)	3,765,836
Customer C	N/A (Note)	N/A (Note)	N/A (Note)	N/A (Note)	4,945,569
Customer D	N/A (Note)	N/A (Note)	N/A (Note)	N/A (Note)	3,808,302

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant year/period.

**7. OTHER INCOME**

	Year ended 31 December			Four months ended 30 April	
	2016 US\$	2017 US\$	2018 US\$	2018 US\$	2019 US\$
				<i>(unaudited)</i>	
Claims received	147,180	117,816	400,333	57,276	92,429
Interests on bank deposits	3,714	3,634	3,229	292	850
Consultancy fee income	147,866	–	–	–	–
Others	87,901	10,115	43,628	10,444	6,620
	<u>386,661</u>	<u>131,565</u>	<u>447,190</u>	<u>68,012</u>	<u>99,899</u>

## 8. OTHER GAINS AND LOSSES

	Year ended 31 December			Four months ended 30 April	
	2016 US\$	2017 US\$	2018 US\$	2018 US\$ (unaudited)	2019 US\$
Net exchange (loss) gain	(155,644)	7,204	(135,939)	2,470	(33,365)
Gain on disposal of subsidiaries (Note 32)	2,012,275	–	–	–	–
Others	–	–	(26,154)	–	–
	<u>1,856,631</u>	<u>7,204</u>	<u>(162,093)</u>	<u>2,470</u>	<u>(33,365)</u>

## 9. FINANCE COSTS

	Year ended 31 December			Four months ended 30 April	
	2016 US\$	2017 US\$	2018 US\$	2018 US\$ (unaudited)	2019 US\$
Interest on bank borrowings	466,285	479,728	481,075	127,764	220,994
Interest expense on lease liabilities	18,752	47,364	78,912	22,923	33,440
	<u>485,037</u>	<u>527,092</u>	<u>559,987</u>	<u>150,687</u>	<u>254,434</u>

## 10. INCOME TAX EXPENSE

	Year ended 31 December			Four months ended 30 April	
	2016 US\$	2017 US\$	2018 US\$	2018 US\$ (unaudited)	2019 US\$
Hong Kong Profits Tax:					
– current tax	380,241	860,712	1,224,867	292,258	292,274
– under (over) provision in prior years	9,465	9,039	(23,256)	–	–
– one-off tax reduction of profits tax by the Inland Revenue Department (“IRD”)	(5,154)	(11,554)	(11,482)	(7,664)	–
	<u>384,552</u>	<u>858,197</u>	<u>1,190,129</u>	<u>284,594</u>	<u>292,274</u>
PRC Enterprise Income Tax (“EIT”)					
– current tax	84,833	49,227	68,300	14,579	53,636
Deferred tax (Note 29)	26,271	33,932	(4,403)	6,729	1,392
	<u>495,656</u>	<u>941,356</u>	<u>1,254,026</u>	<u>305,902</u>	<u>347,302</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the Track Record Period.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first Hong Kong dollar ("HK\$") 2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, for the year ended 31 December 2018 and the four months ended 30 April 2019, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the Track Record Period. One of the Group's subsidiaries, 利華設計院(深圳)有限公司, is entitled to 15% tax rate during the Track Record Period as the subsidiary is situated in Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone and is qualified for reduced tax rate.

Save as disclosed above, the Group is not subject to taxation in any other jurisdictions for the Track Record Period.

Taxation for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Four months ended 30 April	
	2016 US\$	2017 US\$	2018 US\$	2018 US\$	2019 US\$
				<i>(unaudited)</i>	
Profit before tax	4,412,853	5,437,741	7,718,016	2,047,988	1,725,247
Tax at Hong Kong Profits Tax rate of 16.5%	728,121	897,227	1,273,473	337,918	284,666
Tax effect of income not taxable for tax purposes	(320,777)	(20,964)	(4,144)	(2,431)	(749)
Tax effect of expenses not deductible for tax purposes	75,331	20,123	38,139	997	139,815
Tax effect of tax loss not recognised	–	80,907	14,002	786	–
Tax effect of utilisation of tax loss not recognised	–	–	–	–	(88,106)
Tax effect of utilisation of temporary difference not recognised	(5,413)	–	–	–	–
Effect of different tax rate of subsidiaries operating in other jurisdiction	14,083	(33,422)	(11,655)	(2,629)	32,710
Under (over) provision in prior years	9,465	9,039	(23,256)	–	–
One-off tax reduction of profits tax by the IRD	(5,154)	(11,554)	(11,482)	(7,664)	–
Tax concession	–	–	(21,051)	(21,075)	(21,034)
Taxation for the year/period	495,656	941,356	1,254,026	305,902	347,302

## 11. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Four months ended 30 April	
	2016 US\$	2017 US\$	2018 US\$	2018 US\$	2019 US\$
Profit for the year/period has been arrived at after charging:					
Directors' remuneration ( <i>Note 12a</i> )	1,294,031	1,103,278	1,589,807	300,413	299,828
Other staff costs					
– salaries and other allowances	5,803,818	6,925,714	7,457,107	2,511,705	3,174,130
– retirement benefit scheme contributions	467,009	558,428	640,410	272,897	335,943
Total staff costs	7,564,858	8,587,420	9,687,324	3,085,015	3,809,901
Auditor's remuneration	81,135	86,469	91,016	32,201	38,397
Cost of inventories as an expense	82,177,011	76,097,393	85,625,648	26,125,798	26,737,890
Depreciation of plant and equipment	136,238	256,042	349,831	117,030	120,189
Depreciation of right-of-use assets	502,782	570,843	562,758	193,620	184,111
Expense relating to short-term leases	135,333	131,634	129,282	42,514	48,674

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

## a. Directors' and Chief Executive's Emoluments

Details of the emoluments paid or payable by the entities comprising the Group to the directors of the Company and the chief executive of the Company (including emoluments for services as employees or directors of the group entities prior to becoming the directors or chief executive of the Company) during the Track Record Period are as follows:

	Directors' fee US\$	Salaries and other allowances US\$	Performance related bonus US\$	Share-based payments US\$	Retirement benefit scheme contributions US\$	Total US\$
<b>Year ended 31 December 2016</b>						
Executive directors:						
Mr. Szeto	–	231,921	77,307	–	3,092	312,320
Dr. Chan	–	286,036	51,068	247,674	2,319	587,097
Mr. Lee	–	216,460	27,057	148,778	2,319	394,614
Total	–	734,417	155,432	396,452	7,730	1,294,031

	Directors' fee <i>US\$</i>	Salaries and other allowances <i>US\$</i>	Performance related bonus <i>US\$</i>	Share-based payments <i>US\$</i>	Retirement benefit scheme contributions <i>US\$</i>	Total <i>US\$</i>
<b>Year ended</b>						
<b>31 December 2017</b>						
Executive directors:						
Mr. Szeto	–	299,763	127,113	–	3,081	429,957
Dr. Chan	–	313,884	84,531	–	2,311	400,726
Mr. Lee	–	236,472	33,812	–	2,311	272,595
	–	850,119	245,456	–	7,703	1,103,278
<b>Year ended</b>						
<b>31 December 2018</b>						
Executive directors:						
Mr. Szeto	–	329,157	295,544	–	3,062	627,763
Dr. Chan	–	321,502	246,286	–	2,296	570,084
Mr. Lee	–	241,892	147,772	–	2,296	391,960
	–	892,551	689,602	–	7,654	1,589,807
<b>Four months ended</b>						
<b>30 April 2018</b>						
<b>(unaudited)</b>						
Executive directors:						
Mr. Szeto	–	109,845	–	–	1,022	110,867
Dr. Chan	–	107,291	–	–	766	108,057
Mr. Lee	–	80,723	–	–	766	81,489
	–	297,859	–	–	2,554	300,413
<b>Four months ended</b>						
<b>30 April 2019</b>						
Executive directors:						
Mr. Szeto	–	109,631	–	–	1,020	110,651
Dr. Chan	–	107,081	–	–	765	107,846
Mr. Lee	–	80,566	–	–	765	81,331
Non-executive director:						
Mr. Kim William Pak*	–	–	–	–	–	–
	–	297,278	–	–	2,550	299,828

\* Appointed on 13 March 2019

Mr. Szeto is also the chief executive of the Company.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group during the Track Record Period.

The non-executive director's emoluments shown above was mainly for his services as director of the Group.

Performance related bonus was determined with reference to the Group's revenue, operating results, individual performance and comparable market statistics.

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors or the chief executive of the Company waived or agreed to waive any emoluments during the Track Record Period.

#### b. Employees' Emoluments

The five highest paid individuals of the Group include 3, 3, 3, 3 and 3 directors of the Company for the Track Record Period, whose remuneration are set out in Note 12a above. The emoluments of the remaining 2, 2, 2, 2 and 2 employees for the Track Record Period are:

	Year ended 31 December			Four months ended 30 April	
	2016 US\$	2017 US\$	2018 US\$	2018 US\$ <i>(unaudited)</i>	2019 US\$
Salaries and other allowances	255,892	241,017	252,647	94,774	101,982
Performance related bonus	10,952	28,195	43,808	–	–
Retirement benefit scheme contributions	11,621	13,113	13,589	7,107	1,530
	<u>278,465</u>	<u>282,325</u>	<u>310,044</u>	<u>101,881</u>	<u>103,512</u>

The emoluments of the remaining highest paid individuals were within the following band:

	Number of employees				
	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018 <i>(unaudited)</i>	2019
Not exceeding HK\$1,000,000	1	1	–	2	2
HK\$1,000,001 to HK\$1,500,000	1	1	2	–	–
	<u>1</u>	<u>1</u>	<u>2</u>	<u>–</u>	<u>–</u>

Performance related bonus was determined with reference to the Group's revenue, operating results, individual performance and comparable market statistics.

During the Track Record Period, no emoluments were paid by the Group to any of the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

#### 13. DIVIDENDS

During the year ended 31 December 2017 and 2018, the group entities comprising the Group declared a dividend of HK\$30,000,000 (equivalent to US\$3,837,789) and HK\$25,000,000 (equivalent to US\$3,196,113) to its shareholders, respectively.

The rate of dividend and the number of shares, ranking for the dividend are not presented as such information is not meaningful having regards for the purpose of this report.

Other than the above, no dividend has been declared by the group entities comprising the Group during the Track Record Period or by the Company since its incorporation.

## 14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Year ended 31 December			Four months ended 30 April	
	2016 US\$	2017 US\$	2018 US\$	2018 US\$ <i>(unaudited)</i>	2019 US\$
Earnings:					
Earnings for the purpose of calculating basic earnings per share	<u>3,917,197</u>	<u>4,496,385</u>	<u>6,463,990</u>	<u>1,742,086</u>	<u>1,377,945</u>
Number of shares:					
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>480,000,000</u>	<u>480,000,000</u>	<u>480,000,000</u>	<u>480,000,000</u>	<u>480,000,000</u>

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation as detailed in Note 2 and the Capitalisation Issue as referred to in the section headed "Share Capital" in the prospectus had been effective on 1 January 2016.

No diluted earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

## 15. PLANT AND EQUIPMENT

	Leasehold improvements US\$	Furniture, fixtures and equipment US\$	Computer equipment US\$	Motor vehicles US\$	Total US\$
<b>COST</b>					
At 1 January 2016	–	44,737	330,622	106,437	481,796
Additions	629,508	21,178	184,373	147,940	982,999
Disposals	–	–	–	(60,557)	(60,557)
Exchange adjustments	<u>(25,741)</u>	<u>(895)</u>	<u>(5,272)</u>	<u>(33)</u>	<u>(31,941)</u>
At 31 December 2016	603,767	65,020	509,723	193,787	1,372,297
Additions	114,104	51,132	305,330	196,259	666,825
Exchange adjustments	<u>29,261</u>	<u>1,774</u>	<u>4,477</u>	<u>(2,179)</u>	<u>33,333</u>
At 31 December 2017	747,132	117,926	819,530	387,867	2,072,455
Additions	–	9,859	119,313	–	129,172
Exchange adjustments	<u>(36,194)</u>	<u>(4,078)</u>	<u>(16,585)</u>	<u>(248)</u>	<u>(57,105)</u>
At 31 December 2018	710,938	123,707	922,258	387,619	2,144,522
Additions	–	37,157	31,115	12,485	80,757
Exchange adjustments	<u>23,659</u>	<u>2,480</u>	<u>8,421</u>	<u>(1,362)</u>	<u>33,198</u>
At 30 April 2019	<u>734,597</u>	<u>163,344</u>	<u>961,794</u>	<u>398,742</u>	<u>2,258,477</u>

	<b>Leasehold improvements</b> US\$	<b>Furniture, fixtures and equipment</b> US\$	<b>Computer equipment</b> US\$	<b>Motor vehicles</b> US\$	<b>Total</b> US\$
<b>DEPRECIATION</b>					
At 1 January 2016	–	36,098	306,530	77,408	420,036
Provided for the year	82,244	3,519	32,452	18,023	136,238
Eliminated on disposals	–	–	–	(60,557)	(60,557)
Exchange adjustments	(3,363)	(54)	(886)	(82)	(4,385)
At 31 December 2016	78,881	39,563	338,096	34,792	491,332
Provided for the year	144,777	6,349	53,891	51,025	256,042
Exchange adjustments	6,953	(178)	(1,059)	(447)	5,269
At 31 December 2017	230,611	45,734	390,928	85,370	752,643
Provided for the year	149,648	13,548	111,950	74,685	349,831
Exchange adjustments	(18,632)	(811)	(5,399)	100	(24,742)
At 31 December 2018	361,627	58,471	497,479	160,155	1,077,732
Provided for the period	48,808	3,916	42,382	25,083	120,189
Exchange adjustments	12,200	362	2,086	(580)	14,068
At 30 April 2019	422,635	62,749	541,947	184,658	1,211,989
<b>CARRYING VALUES</b>					
At 31 December 2016	<u>524,886</u>	<u>25,457</u>	<u>171,627</u>	<u>158,995</u>	<u>880,965</u>
At 31 December 2017	<u>516,521</u>	<u>72,192</u>	<u>428,602</u>	<u>302,497</u>	<u>1,319,812</u>
At 31 December 2018	<u>349,311</u>	<u>65,236</u>	<u>424,779</u>	<u>227,464</u>	<u>1,066,790</u>
At 30 April 2019	<u>311,962</u>	<u>100,595</u>	<u>419,847</u>	<u>214,084</u>	<u>1,046,488</u>

The above items of plant and equipment are depreciated on a straight-line basis over their estimated useful lives, at the following rates per annum:

Leasehold improvements	Over the shorter of the relevant lease term or 20%
Furniture, fixtures and equipment	20%
Computer equipment	20%
Motor vehicles	20%

As at 31 December 2016, 2017 and 2018 and 30 April 2019, the Group has pledged motor vehicles with a carrying value of US\$71,976, US\$132,375, US\$84,113 and US\$72,895, respectively, to secure a bank loan granted to the Group.



**16. RIGHT-OF-USE ASSETS**

The average lease term of the Group's buildings is 4 years, 5 years, 5 years and 5 years during the year ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2019, respectively. The right-of-use assets are depreciated on a straight-line basis over the lease terms.

The Group does not have the option to purchase the buildings for a nominal amount at the end of the lease terms. The Group's obligations are secured by the lessors' title to the lease assets for such leases.

	<b>Buildings</b> <i>US\$</i>
<b>COST</b>	
At 1 January 2016	2,263,103
Additions	1,029,334
Disposal of subsidiaries	(556,695)
Exchange adjustments	(157,669)
	<hr/>
At 31 December 2016	2,578,073
Exchange adjustments	107,448
	<hr/>
At 31 December 2017	2,685,521
Additions	49,987
Exchange adjustments	(124,701)
	<hr/>
At 31 December 2018	2,610,807
Exchange adjustments	80,970
	<hr/>
At 30 April 2019	<u>2,691,777</u>
<b>DEPRECIATION</b>	
At 1 January 2016	499,227
Provided for the year	502,782
Disposal of subsidiaries	(400,880)
Exchange adjustments	(24,039)
	<hr/>
At 31 December 2016	577,090
Provided for the year	570,843
Exchange adjustments	34,237
	<hr/>
At 31 December 2017	1,182,170
Provided for the year	562,758
Exchange adjustments	(79,239)
	<hr/>
At 31 December 2018	1,665,689
Provided for the period	184,111
Exchange adjustments	51,401
	<hr/>
At 30 April 2019	<u>1,901,201</u>
<b>CARRYING VALUES</b>	
At 31 December 2016	<u>2,000,983</u>
At 31 December 2017	<u>1,503,351</u>
At 31 December 2018	<u>945,118</u>
At 30 April 2019	<u>790,576</u>

During the year ended 31 December 2016 and 2018, there were additions to right-of-use assets of US\$1,029,334, and US\$49,987 respectively due to certain contracts were early terminated or expired which were replaced by new leases for the underlying assets. During the year ended 31 December 2017 and the four months ended 30 April 2019, there was no addition to right-of-use assets.

#### 17. INVENTORIES

	As at 31 December			As at 30 April
	2016 US\$	2017 US\$	2018 US\$	2019 US\$
Raw materials	2,224,048	1,007,781	980,800	1,305,021
Work in progress	13,352,662	15,737,677	13,819,286	13,235,874
Finished goods	786,880	270,842	516,399	358,809
	<u>16,363,590</u>	<u>17,016,300</u>	<u>15,316,485</u>	<u>14,899,704</u>

#### 18. TRADE AND BILLS RECEIVABLES

	As at 31 December			As at 30 April
	2016 US\$	2017 US\$	2018 US\$	2019 US\$
Trade receivables	15,797,754	12,294,292	4,004,060	3,447,574
Bills receivables	1,962,898	1,092,130	1,975,598	169,623
Bills receivables discounted with recourse	38,030	728,924	1,919,533	2,087,557
	<u>17,798,682</u>	<u>14,115,346</u>	<u>7,899,191</u>	<u>5,704,754</u>

The Group allows credit period up to 60 days to its customers.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. The majority of the Group's trade receivables that are neither past due nor impaired have no history of defaulting on repayment.

The following is an aged analysis of trade receivables presented based on the invoice dates at the end of each reporting period.

	As at 31 December			As at 30 April
	2016 US\$	2017 US\$	2018 US\$	2019 US\$
0 to 30 days	14,556,823	10,507,950	2,361,122	1,613,118
31 to 60 days	572,853	521,562	1,162,445	1,009,962
Over 60 days	668,078	1,264,780	480,493	824,494
	<u>15,797,754</u>	<u>12,294,292</u>	<u>4,004,060</u>	<u>3,447,574</u>

No credit period is offered for sales to be settled by bills and they carry interest at market rates. The average aging of bills receivables based on the maturity date is 30 days to 60 days. The management believes that no impairment allowance on bills receivables is necessary as there is no significant change in credit quality and the balance are still considered fully recoverable. All bills received by the Group are with a maturity period of less than one year. Other than bills received, the Group does not hold any collateral over these balances.

Management closely monitors the credit quality of trade and bills receivables and considers the trade and bills receivables that are neither past due nor impaired have good credit quality with reference to their repayment history.

Included in the Group's trade receivables as at 31 December 2016, 2017 and 2018 and 30 April 2019 are receivables with aggregate carrying amount of US\$1,713,934, US\$1,767,292, US\$921,348 and US\$1,841,691 respectively, which were past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considered there has not been a significant change in credit quality and the balances are still considered fully recoverable due to the long term/on-going relationship and good repayment record from these customers. The Group does not hold any collateral over these balances.

The following is an aging analysis of trade receivables which are past due but not impaired:

	As at 31 December			As at
	2016	2017	2018	30 April
	US\$	US\$	US\$	2019
				US\$
Overdue by:				
1 to 30 days	516,319	500,355	601,239	1,020,679
31 to 60 days	552,887	979,421	148,978	58,143
Over 60 days	644,728	287,516	171,131	762,869
	<u>1,713,934</u>	<u>1,767,292</u>	<u>921,348</u>	<u>1,841,691</u>

Upon adoption of HKFRS 9 on 1 January 2018, the Group applies the simplified approach to provide for ECL. For trade and bills receivables, they are assessed individually for impairment allowance based on the historical credit losses experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each reporting period, including time value of money where appropriate.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's trade receivables for impairment, no additional credit loss allowance was recognised upon application of HKFRS 9 as the amount was considered as insignificant.

The Group rebutted the presumption of default under ECL model for trade receivables over 90 days past due based on good repayment records for those customers and continuous business with the Group. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Trade and bills receivables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	As at 31 December			As at
	2016	2017	2018	30 April
	US\$	US\$	US\$	2019
				US\$
Euro ("EUR")	–	3,190	–	–
HK\$	1,367,401	6,371,647	5,098,879	493,963
Renminbi ("RMB")	4,347,901	5,497,056	783,314	174,598
	<u>4,347,901</u>	<u>5,497,056</u>	<u>783,314</u>	<u>174,598</u>

During the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, the Group factored trade receivables amounting to approximately US\$39,327,000, US\$43,058,000, US\$78,522,000 and US\$24,416,000, respectively, to banks on a non-recourse basis, and such trade receivables and the respective bank borrowings have been derecognised upon the factoring on the basis that the Group transferred substantially all the risks and rewards of ownership of the trade receivables to another entity. Upon adoption of HKFRS 9 on 1 January 2018, trade receivables under factoring arrangement have been reclassified to trade receivables at FVTOCI, details are set out in Note 19.

Details of impairment assessment of trade and bills receivables for the year ended 31 December 2018 and the four months ended 30 April 2019 are set out in Note 36.

#### Transfer of financial assets

The followings were the Group's financial assets at the end of the reporting period that were transferred to a bank by discounting those receivables on a recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured bank borrowings (see Note 28). These financial assets are carried at amortised cost in the Group's consolidated statements of financial position.

	As at 31 December			As at 30 April
	2016 US\$	2017 US\$	2018 US\$	2019 US\$
Carrying amount of bills receivables discounted	38,030	728,924	1,919,533	2,087,557
Carrying amount of associated liabilities	(38,030)	(728,924)	(1,919,533)	(2,087,557)
Net position	–	–	–	–

#### 19. TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As part of the Group's cash flow and risk management management, the Group has the practice of factoring certain trade receivables to financial institutions before the receivables are due for repayment. The factored trade receivables are derecognised on the basis that the Group has transferred substantially all the risks and rewards to the relevant counterparties. Accordingly, such trade receivables were under a business model which is held to collect contractual cash flows and to sell, and have been reclassified to trade receivables at FVTOCI.

At 31 December 2018 and 30 April 2019, the effective interest rates of the factoring trade receivables at FVTOCI ranged from 3.35% to 4.57% and 4.16% to 4.56% per annum, respectively. Details of the valuation techniques and key inputs adopted for their fair value measurements are disclosed in Note 36(c).

The following is an aged analysis of trade receivables at FVTOCI presented based on the invoice dates at the end of each reporting period.

	As at 31 December 2018 US\$	As at 30 April 2019 US\$
0 to 30 days	6,500,975	1,234,294
31 to 60 days	12,388	1,953,459
Over 60 days	153,822	600,187
	<u>6,667,185</u>	<u>3,787,940</u>

Details of impairment assessment of trade receivables at FVTOCI for the year ended 31 December 2018 and the four months ended 30 April 2019 are set out in Note 36.

## 20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at
	2016	2017	2018	30 April
	US\$	US\$	US\$	US\$
Deposits	115,254	148,739	127,927	132,799
Prepayments to supplier	2,479,449	3,146,749	6,996,011	8,848,221
Other receivables	705,867	640,189	350,215	274,719
Deferred listing expenses	–	–	98,375	567,368
	<u>3,300,570</u>	<u>3,935,677</u>	<u>7,572,528</u>	<u>9,823,107</u>

## 21. TAX RESERVE CERTIFICATES

In 2013, the IRD had initiated a tax audit on Lever Shirt Limited (“Lever Shirt”) for the year of assessment 2011/12. In 2013, 2014, 2015, 2016 and 2017, the IRD issued notices of tax assessment for additional tax in an aggregate sum of HK\$1,225,000 (equivalent to US\$158,005) for the year of assessment 2006/07, HK\$1,367,533 (equivalent to US\$176,440) for 2007/08, HK\$4,919,102 (equivalent to US\$634,633) for 2008/09, HK\$4,950,000 (equivalent to US\$638,133) for 2009/10 and HK\$4,950,000 (equivalent to US\$633,235) for 2010/11 in respect of profits tax assessable income. The IRD agreed to hold over the additional tax subject to the purchase of tax reserve certificates of HK\$1,225,000 (equivalent to US\$158,005), HK\$1,367,533 (equivalent to US\$176,440), HK\$1,400,000 (equivalent to US\$180,620), HK\$450,000 (equivalent to US\$57,980) and HK\$500,000 (equivalent to US\$64,189) respectively. As such, for the years of assessment 2006/07, 2007/08, 2008/09, 2009/10 and 2010/11, Lever Shirt purchased tax reserve certificates of HK\$1,225,000 (equivalent to US\$158,005), HK\$1,367,533 (equivalent to US\$176,440), HK\$1,400,000 (equivalent to US\$180,620), HK\$450,000 (equivalent to US\$57,980) and HK\$500,000 (equivalent to US\$64,189) in May 2013, May 2014, May 2015, May 2016 and May 2017, respectively.

In 2013, the IRD had initiated a tax audit on Levertex Company Limited (“Levertex”) for the year of assessment 2011/12. In 2013, 2014 and 2016, IRD issued notices of tax assessment for additional tax in an aggregate sum of HK\$62,500 (equivalent to US\$8,064) for the year of assessment 2007/08, HK\$82,500 (equivalent to US\$10,644) for 2008/09, HK\$115,206 (equivalent to US\$14,852) for 2009/10 in respect of profits tax assessable income. The IRD agreed to hold over the additional tax subject to the purchase of tax reserve certificates of HK\$62,500 (equivalent to US\$8,064) and HK\$82,500 (equivalent to US\$10,644) respectively. As such, for the years of assessment 2007/08 and 2008/09, Levertex purchased tax reserve certificates of HK\$62,500 (equivalent to US\$8,064) and HK\$82,500 (equivalent to US\$10,644) in May 2014 and May 2015, respectively.

Subsequent to the Track Record Period, the IRD issued revised tax assessments to Lever Shirt for the years of assessment 2006/07, 2007/08, 2008/09, 2009/10, 2010/11 and 2011/12 and Levertex for the years of assessment 2007/08, 2008/09, 2009/10, 2010/11 and 2011/12, and no additional tax are required. All the tax reserve certificates purchased by Lever Shirt and Levertex have been redeemed in May 2019.

**22. AMOUNT(S) DUE FROM (TO) DIRECTORS/IMMEDIATE HOLDING COMPANY/RELATED COMPANIES**

Details of the amounts due from directors, immediate holding company and a related company are shown as follows:

	As at 31 December			As at
	2016	2017	2018	30 April
	US\$	US\$	US\$	US\$
<b>Amounts due from directors</b>				
Dr. Chan	–	204,501	–	–
Mr. Lee	–	122,924	–	–
	–	327,425	–	–
<b>Amount due from immediate holding company</b>				
Lever Style Holdings	1,935	–	–	–
<b>Amount due from a related company</b>				
Lever Shirt (Shenzhen) Co. Ltd.** ("Lever Shirt (Shenzhen)")	1,906,784	–	–	–

Amounts due from directors were non-trade nature, unsecured, interest-free and repayable on demand.

Amount due from immediate holding company was non-trade nature, unsecured, interest-free and repayable on demand.

Amount due from a related company was trade nature with average credit period of 30 to 60 days, aged within 30 days, unsecured and interest-free.

Maximum outstanding amounts of amounts due from directors and immediate holding company during the Track Record Period are:

	Year ended 31 December				Four months ended
	2015	2016	2017	2018	30 April
	US\$	US\$	US\$	US\$	US\$
<b>Amounts due from directors</b>					
Dr. Chan	–	–	320,902	204,501	–
Mr. Lee	–	–	192,766	122,924	–
<b>Amount due from immediate holding company</b>					
Lever Style Holdings	–	103,294	–	–	–

Details of the amount(s) due to a director and related companies are shown as follows:

	As at 31 December			As at
	2016	2017	2018	30 April
	US\$	US\$	US\$	2019
				US\$
<b>Amount due to a director</b>				
Mr. Szeto	–	95,358	–	–
<b>Amounts due to related companies</b>				
Artigas Company Limited*	12,892	–	–	–
Enos Limited**	200,449	–	–	–
Han Jingyi Holding (HK) Limited**	188,371	–	–	–
Hui Zhou Bo Kang Hua Enterprises Co. Ltd.**	355,394	173,980	727,504	–
	757,106	173,980	727,504	–

\* The company is controlled by Lever Style Holdings, the immediate holding company.

\*\* The related companies are controlled by Mr. Szeto.

Amount due to a director and amounts due to related companies are non-trade nature, unsecured, interest-free and repayable on demand.

### 23. BANK BALANCES AND CASH

Bank balances carry interest at market interest rates which range from 0.001% to 0.01%, 0.001% to 0.01%, 0.001% to 0.01% and 0.001% to 0.01% per annum at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

Bank balances and cash denominated in currencies other than the functional currency of the relevant group entities are set out below:

	As at 31 December			As at
	2016	2017	2018	30 April
	US\$	US\$	US\$	2019
				US\$
HK\$	590,777	1,647,801	594,543	958,015
EUR	6	–	197	200
RMB	69,386	41,916	35,737	25,844
Great British Pound (“GBP”)	274	–	–	–

### 24. TRADE AND BILLS PAYABLES

	As at 31 December			As at
	2016	2017	2018	30 April
	US\$	US\$	US\$	2019
				US\$
Trade payables	20,492,157	15,205,294	13,613,396	10,515,808
Bills payables	351,730	6,587	627,912	504,790
	20,843,887	15,211,881	14,241,308	11,020,598

The credit period on trade payables was up to 60 days. All bills payables are with a maturity period of less than one year.

The following is an aged analysis of trade payables presented based on the invoice dates at the end of each reporting period.

	As at 31 December			As at
				30 April
	2016	2017	2018	2019
	US\$	US\$	US\$	US\$
0 to 30 days	19,254,674	10,895,136	12,536,072	8,694,890
31 to 60 days	997,658	1,298,136	950,775	1,234,321
Over 60 days	239,825	3,012,022	126,549	586,597
	<u>20,492,157</u>	<u>15,205,294</u>	<u>13,613,396</u>	<u>10,515,808</u>

Trade and bills payables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	As at 31 December			As at
				30 April
	2016	2017	2018	2019
	US\$	US\$	US\$	US\$
HK\$	820,553	2,052,924	4,249,347	1,496,511
RMB	188,875	1,463,589	1,023,883	906,912
EUR	80,314	77,701	208,402	353,041
Japanese Yen ("JPY")	75,759	81,916	14,280	24,055
GBP	5,165	6,982	17,376	8,627
	<u>1,270,466</u>	<u>4,685,138</u>	<u>5,513,235</u>	<u>2,800,056</u>

## 25. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at
				30 April
	2016	2017	2018	2019
	US\$	US\$	US\$	US\$
Other payables	298,921	575,670	620,311	295,231
Accrued staff costs	835,814	1,428,847	1,791,463	2,084,028
Other accruals	153,417	362,744	214,025	510,246
Accrued share issue costs	–	–	162,848	546,031
	<u>1,288,152</u>	<u>2,367,261</u>	<u>2,788,647</u>	<u>3,435,536</u>



**26. CONTRACT LIABILITIES**

Contract liabilities represent receipts in advance from customers for unsatisfied performance obligations and are recognised as revenue when the Group performs its obligations under the contracts. At a contract inception, performance obligation is expected to be satisfied within one year.

Movements in contract liabilities:

	As at 31 December			As at 30 April
	2016 US\$	2017 US\$	2018 US\$	2019 US\$
At the beginning of the year/period	47,161	108,254	80,034	611,148
Receipts from customers	108,195	80,316	609,694	468,112
Revenue recognised upon delivery of goods*	(47,100)	(107,803)	(79,626)	(609,391)
Effect of foreign exchange rate changes	(2)	(733)	1,046	(2,058)
At the end of the year/period	<u>108,254</u>	<u>80,034</u>	<u>611,148</u>	<u>467,811</u>

\* The revenue recognised upon delivery of goods that was included in the contract liabilities balance at the beginning of each year/period is US\$47,100, US\$107,803, US\$79,626 and US\$609,391, respectively, for the year ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019.

**27. LEASE LIABILITIES**

The Group leases properties to operate its business. These leases are typically made for fixed terms of 1-5 years. Lease terms are negotiated on an individual basis and contain different payment terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purpose.

The Group also leases properties for staff quarter with contract terms of less than one year. These leases are short-term and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The exposure of the Group's lease liabilities are as follows:

	As at 31 December			As at 30 April
	2016 US\$	2017 US\$	2018 US\$	2019 US\$
Analysed for reporting purposes as:				
Current liabilities	548,351	543,310	543,555	564,998
Non-current liabilities	1,428,960	948,396	391,827	215,943
	<u>1,977,311</u>	<u>1,491,706</u>	<u>935,382</u>	<u>780,941</u>

	Minimum lease payment				Preset value of lease liabilities			
	As at 31 December			As at 30 April	As at 31 December			As at 30 April
	2016 US\$	2017 US\$	2018 US\$	2019 US\$	2016 US\$	2017 US\$	2018 US\$	2019 US\$
Minimum lease payment due:								
within one year	594,892	621,683	654,057	692,143	548,351	543,310	543,555	564,998
more than one year, but not exceeding two years	595,532	668,877	490,988	273,264	520,456	554,134	390,580	215,943
more than two years	1,117,319	497,504	1,465	-	908,504	394,262	1,247	-
	<u>2,307,743</u>	<u>1,788,064</u>	<u>1,146,510</u>	<u>965,407</u>	<u>1,977,311</u>	<u>1,491,706</u>	<u>935,382</u>	<u>780,941</u>
Less: future finance charges	<u>(330,432)</u>	<u>(296,358)</u>	<u>(211,128)</u>	<u>(184,466)</u>				
Present value of lease liabilities	<u>1,977,311</u>	<u>1,491,706</u>	<u>935,382</u>	<u>780,941</u>				
Less: Amounts due for settlement within one year (shown under current liabilities)					<u>(548,351)</u>	<u>(543,310)</u>	<u>(543,555)</u>	<u>(564,998)</u>
Amounts due for settlement after one year					<u>1,428,960</u>	<u>948,396</u>	<u>391,827</u>	<u>215,943</u>

Lease liabilities of the Group were measured at the present value of the lease payments that are not yet paid using its incremental borrowing rate at the lease commencement date. All leases are entered at fixed prices. The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasure function.

The total cash outflows for leases including the payments of lease liabilities for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 were US\$546,089, US\$605,517, US\$640,152 and US\$143,100, respectively.

## 28. BANK BORROWINGS

	As at 31 December			As at 30 April
	2016 US\$	2017 US\$	2018 US\$	2019 US\$
Variable rate bank borrowings denominated in HK\$ comprise:				
Bank loans	2,192,746	1,773,852	2,652,876	2,873,135
Trust receipt loans	8,223,207	2,778,317	1,514,149	1,239,965
	<u>10,415,953</u>	<u>4,552,169</u>	<u>4,167,025</u>	<u>4,113,100</u>
US\$ comprise:				
Trust receipt loans	38,030	2,977,815	3,052,658	3,760,310
	<u>10,453,983</u>	<u>7,529,984</u>	<u>7,219,683</u>	<u>7,873,410</u>
Analysed as:				
Secured (Note)	104,310	852,783	2,013,653	2,171,282
Unsecured	10,349,673	6,677,201	5,206,030	5,702,128
	<u>10,453,983</u>	<u>7,529,984</u>	<u>7,219,683</u>	<u>7,873,410</u>

	As at 31 December			As at
	2016	2017	2018	30 April
	US\$	US\$	US\$	US\$
Carrying amounts of bank borrowings based on scheduled repayment dates set out in the loan agreements:				
Within one year	13,392	29,679	30,617	30,828
More than one year, but not exceeding two years	13,834	30,637	31,575	31,782
More than two years, but not exceeding five years	39,054	63,543	31,927	21,115
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities) with scheduled repayment dates set out in the loan agreements:				
Within one year	9,975,172	7,303,783	7,125,564	7,789,685
More than one year, but not exceeding two years	309,398	102,342	–	–
More than two years, but not more than five years	103,133	–	–	–
	10,453,983	7,529,984	7,219,683	7,873,410
Less: Amounts shown under current liabilities	(10,401,095)	(7,435,804)	(7,156,181)	(7,820,513)
Amounts shown under non-current liabilities	52,888	94,180	63,502	52,897

*Note:* The bank loans were secured by motor vehicles and bills receivables as set out in Notes 15 and 18, respectively.

The bank borrowings carry interest at a premium over Hong Kong Interbank Offered Rate or a premium over London Interbank Offered Rate. The effective interest rates on bank borrowings ranges from 1.59% to 3.63%, 1.59% to 4.08%, 1.59% to 4.32% and 1.59% to 4.78% per annum for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively.

As at 31 December 2016, the Group breached certain terms of the bank borrowings with an aggregate amount of approximately US\$5,726,000, which were primarily related to maintain a certain level of assets. The relevant bank borrowings included in trust receipt loans of US\$5,726,000 had been repaid during the year ended 31 December 2017.

**29. DEFERRED TAXATION**

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period:

	<b>Tax losses</b>	<b>Accelerated tax</b>	<b>Total</b>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
At 1 January 2016	13,648	3,425	17,073
Charged to profit or loss ( <i>Note 10</i> )	(13,630)	(12,641)	(26,271)
Exchange differences	(18)	(10)	(28)
At 31 December 2016	–	(9,226)	(9,226)
Charged to profit or loss ( <i>Note 10</i> )	–	(33,932)	(33,932)
Exchange difference	–	189	189
At 31 December 2017	–	(42,969)	(42,969)
Credited to profit or loss ( <i>Note 10</i> )	–	4,403	4,403
Exchange differences	–	37	37
At 31 December 2018	–	(38,529)	(38,529)
Charged to profit or loss ( <i>Note 10</i> )	–	(1,392)	(1,392)
Exchange differences	–	136	136
At 30 April 2019	–	(39,785)	(39,785)

The Group has unused tax losses of nil, US\$336,000, US\$373,000 and US\$32,000 available for offset against future profits as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. No deferred tax asset has been recognised on the tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US\$336,000, US\$373,000 and US\$32,000 as at 31 December 2017 and 2018 and 30 April 2019 that will expire in 2022, 2023 and 2024, respectively.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately US\$163,000, US\$431,000, US\$783,000 and US\$961,000, respectively, for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

**30. SHARE CAPITAL**

For the purpose of presenting the Historical Financial Information, the issued share capital of the Group at 1 January 2016, 31 December 2016, 2017 and 2018 represented the share capital of Lever Style Inc.

	<b>Number of shares</b>			<b>Share capital</b>		
	<b>As at 31 December</b>			<b>As at 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
				<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
<b>Ordinary shares of US\$1 each</b>						
Authorised	50,000	50,000	50,000	50,000	50,000	50,000

	Number of shares As at 31 December			Share capital As at 31 December		
	2016	2017	2018	2016 US\$	2017 US\$	2018 US\$
<b>Issued and fully paid</b>						
At beginning of year	10,286	10,286	11,428	10,286	10,286	11,428
Issued on 8 January 2017 (Note (i))	–	228	–	–	228	–
Issue of shares pursuant to Share Option Scheme (Note (ii))	–	914	–	–	914	–
At end of year	<u>10,286</u>	<u>11,428</u>	<u>11,428</u>	<u>10,286</u>	<u>11,428</u>	<u>11,428</u>

*Notes:*

- (i) On 8 January 2017, 228 ordinary shares were issued to immediate holding company, at a consideration of US\$128,136. The consideration was settled through the amount due from immediate holding company.
- (ii) On 8 January 2017, 914 ordinary shares were issued to Dr. Chan and Mr. Lee pursuant to the Share Option Scheme (as defined in Note 31). The consideration were settled through the amounts due from directors.

The share capital of the Group as at 30 April 2019 represented the share capital of the Company.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.

Details of movements of authorised and issued capital of the Company are as follow:

**Share Capital**

	Number of shares	Amount HK\$	Shown in the Historical Financial Information as US\$
Ordinary shares of HK\$0.01 each			
<b>Authorised</b>			
At 27 February 2019 (date of incorporation) and 30 April 2019	<u>38,000,000</u>	<u>380,000</u>	<u>N/A</u>
<b>Issued and fully paid</b>			
At 27 February 2019 (date of incorporation) (note i)	10,000	100	13
Issue of shares: – On 8 April 2019 (note ii)	<u>10,000</u>	<u>100</u>	<u>13</u>
At 30 April 2019	<u>20,000</u>	<u>200</u>	<u>26</u>

*Notes:*

- (i) Upon incorporation, 1 share was allotted and issued to a representative of Conyers Trust Company (Cayman) Limited and transferred to Mr. Lee, following which 6,368 shares, 2,188 shares, 443 shares, 66 shares, 135 shares, 500 shares and 299 shares were allotted and issued to Lever Style Holdings, Fung Trinity, Mr. Yuen, Mr. Andersen, Ms. Enomoto, Dr. Chan and Mr. Lee, respectively, for cash at par.
- (ii) On 8 April 2019, pursuant to the Reorganisation, all shares held by Lever Style Holdings, Fung Trinity, Mr. Yuen, Mr. Anderson, Ms. Enomoto, Dr. Chan and Mr. Lee in Lever Style Inc. were transferred to the Company in consideration of the Company issuing and allotting 6,368 shares, 2,188 shares, 443 shares, 66 shares, 135 shares, 500 shares and 300 shares to Lever Style Holdings, Fung Trinity, Mr. Yuen, Mr. Anderson, Ms. Enomoto, Dr. Chan and Mr. Lee, respectively, credited as fully paid.

The new shares rank *pari passu* with the then existing shares in all respects.

**31. SHARE-BASED PAYMENT TRANSACTION**

On 8 January 2016, a share option scheme was adopted by the shareholders of Lever Style Inc. ("Lever Style"), a wholly-owned subsidiary of the Company upon completion of Reorganisation (the "Share Option Scheme"). The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the eligible participants under the scheme have or may have made to the Group.

The eligible participants include any full-time or part-time employees, executives or officers (including executive, non-executive and independent non-executive directors) of Lever Style or any of its subsidiaries who, in the opinion of the directors of the Company, will contribute or have contributed to the Company and/or any of its subsidiaries.

No consideration is payable on the grant of an option.

On 8 January 2016, Lever Style had authorised to grant to 2 eligible participants to subscribe for an aggregate of 914 shares of Lever Style under the Share Option Scheme which represents 8.9% of the shares of Lever Style in issue at that date.

The subscription price of a share in respect of any particular share option offered under the Share Option Scheme are determined by the directors of Lever Style taking into account the business value of the Group, contribution from the participants, etc..

The share options granted to each grantee under the Share Option Scheme shall be vested on 8 January 2017. The grantees to whom a share option has been granted under the Share Option Scheme will be entitled to exercise the share option any time after the share option has been vested but in any event on or before 8 January 2018. The share options granted under the Share Option Scheme are not transferable and share options not exercised within the exercise period will lapse and cease to be of further effect.

The Share Option Scheme expired on 8 January 2018 and ceased to have effect after 8 January 2018.

On 8 January 2016, 914 share options with exercise price of US\$562 per option has been granted to the directors of the Company and outstanding at 31 December 2016. All the share options have been exercised during the year ended 31 December 2017.

The fair value of the share options at the grant date, calculated using the Black-Scholes model was approximately US\$396,452.

The inputs into the model were as follows:

Grant date	8 January 2016
Number of share options	914
Exercise price	US\$562
Risk-free rate	0.97%
Expected volatility	40.68%

The risk-free rate was based on US Government Bond Yield.

Expected volatility was determined by using seven comparable companies' historical volatility.

The Group recognised a total expense of US\$396,452, nil, nil, nil and nil, respectively, for the year ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019 in relation to the share options granted by Lever Style.

The Black-Scholes model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

### 32. DISPOSAL OF SUBSIDIARIES

On 29 April 2016, the Group entered into an agreement to dispose of the entire interest in Jadestar Investments Limited ("Jadestar"), together with its wholly owned subsidiary Glad Garments (Shenzhen) Co. Ltd\* 佳智服飾(深圳)有限公司 ("Glad Garments") (collectively referred to as the "Jadestar Group"), to an Independent Third Party at a cash consideration of HK\$31,522,826 (equivalent to US\$4,063,267). The disposal had been completed in August 2016.

The above transaction was accounted for as disposal of subsidiaries. Details of the net assets disposed of were summarised below:

	US\$
<b>Analysis of assets and liabilities over which control was lost:</b>	
Right-of-use assets	155,815
Inventories	2,893,887
Trade and bills receivables	195,514
Deposits, prepayments and other receivables	469,574
Amounts due from intermediate holding companies	3,349,365
Amounts due from fellow subsidiaries	2,048,665
Bank balances and cash	242,220
Trade and bills payables	(364,910)
Other payables and accruals	(758,644)
Lease liabilities	(155,815)
Amount due to immediate holding company	(4,137,527)
Tax payables	(481)
	<hr/>
Net assets disposed of	3,937,663
	<hr/>
<b>Gain on disposal of subsidiaries:</b>	
Cash consideration	4,063,267
Net assets disposed of	(3,937,663)
Reclassification of exchange reserve upon disposal of subsidiaries	1,886,671
	<hr/>
	2,012,275
	<hr/>
<b>Net cash inflow arising on disposal:</b>	
Cash consideration*	4,063,267
Bank balances and cash disposed of	(242,220)
	<hr/>
	3,821,047
	<hr/> <hr/>

\* The consideration was settled by offsetting the subcontracting charges subsequent to the completion of the disposal. The amount was fully settled during the year ended 31 December 2016.

The loss incurred and revenue generated for the year ended 31 December 2016 (up to the completion date of disposal) of the Jadestar Group was approximately US\$30,000 and US\$14,898,000, respectively.

During the year ended 31 December 2016, the Jadestar Group contributed approximately US\$1,582,000 to the Group's negative net operating cash flows, received approximately US\$5,653,000 in respect of investing activities and paid approximately US\$3,540,000 in respect of financing activities.

### 33. PLEDGE OF ASSETS

At the end of each reporting period, the following assets were pledged to secure the Group's bank borrowings:

	As at 31 December			As at
	2016	2017	2018	30 April
	US\$	US\$	US\$	US\$
Motor vehicles	71,976	132,375	84,113	72,895
Bills receivables	38,030	728,924	1,919,533	2,087,557
	<u>110,006</u>	<u>861,299</u>	<u>2,003,646</u>	<u>2,160,452</u>

### 34. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at a rate of 5% specified in the rules, but subject to a cap. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. No forfeited contribution is available to reduce the contribution payable in the future years.

The total expenses recognised in profit or loss of US\$474,739, US\$566,131, US\$648,064, US\$275,451 and US\$338,493 for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, respectively, represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

### 35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts, which includes bank borrowings, amounts due to related companies and amount due to a director, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure on a regular basis. As a part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new shares issued as well as the issue of new debt or the redemption of existing debt.



## 36. FINANCIAL INSTRUMENTS

## a. Categories of financial instruments

	As at 31 December			As at
				30 April
	2016	2017	2018	2019
	US\$	US\$	US\$	US\$
<b>Financial assets</b>				
Loans and receivables (including cash and cash equivalents)	22,257,135	17,985,573	–	–
Financial assets at FVTOCI	–	–	6,667,185	3,787,940
Financial assets at amortised cost	–	–	11,391,999	11,375,077
	<u>22,257,135</u>	<u>17,985,573</u>	<u>18,059,184</u>	<u>15,163,017</u>
<b>Financial liabilities</b>				
Amortised cost	<u>32,353,897</u>	<u>27,112,818</u>	<u>25,677,704</u>	<u>22,048,050</u>

## b. Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, trade receivables at FVTOCI, other receivables, amount due from immediate holding company, amounts due from (to) related companies, bank balances and cash, trade and bills payables, other payables, amounts due from (to) directors, and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risk**Currency risk*

The Group has monetary assets and liabilities that are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management of the Group closely monitors foreign exchange exposure to ensure appropriate measures are implemented on a timely and effective manner.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follow:

	Assets				Liabilities			
	As at 31 December			As at	As at 31 December			As at
	2016	2017	2018	30 April	2016	2017	2018	30 April
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
HK\$	1,958,178	8,019,448	5,693,422	1,451,978	11,236,506	10,131,038	11,285,270	8,468,422
EUR	6	3,190	197	200	80,314	77,701	208,402	353,041
GBP	274	–	–	–	5,165	6,982	17,376	8,627
JPY	–	–	–	–	75,759	81,916	14,280	24,055
RMB	<u>4,417,287</u>	<u>5,538,972</u>	<u>819,051</u>	<u>200,442</u>	<u>188,875</u>	<u>1,463,589</u>	<u>1,023,883</u>	<u>906,912</u>

## Sensitivity analysis

The directors consider the Group does not expose to HK\$ currency risk due to the pegged rate system of HK\$ against US\$. The Group mainly exposes material foreign currency risk on fluctuation of RMB, during the Track Record Period.

The following table details the Group's sensitivity to a 5% increase in functional currency of the Group against RMB. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in RMB. The sensitivity analysis includes only outstanding RMB monetary items and adjusts their translation at the end of the reporting period for a 5%. A positive number below indicates an increase in post-tax profit where 5% increases of RMB against functional currency of the Group. For a 5% weakening of RMB against functional currency of the Group, there would be an equal and opposite impact on the post-tax profit.

	Year ended 31 December			Four months ended 30 April
	2016 US\$	2017 US\$	2018 US\$	2019 US\$
RMB	176,536	170,147	(8,552)	(29,495)

*Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 23) and bank borrowings (see Note 28). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

In the opinion of the directors of the Company, the Group does not have material interest rate risk exposure and hence no sensitivity analysis is presented.

*Credit risk and impairment assessment*

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group's credit risk is primarily attributable to its trade and bills receivables, trade receivables at FVTOCI, other receivables, amounts due from directors, amount due from immediate holding company, amount due from a related company and bank balances. In order to minimise the credit risk, the management of the Group continuously monitor the credit quality of the debtors and the level of exposure to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Except for the amounts due from related companies, the Group has no other significant concentration of credit risk, with exposure spread over a large number of counter parties and customers.

The Group's internal credit risk grading assessment comprises the following categories:

Category	Description	Trade receivables	Other financial assets
Performing	The counterparty has a low risk of default and have no past due amounts	Lifetime ECL-not credit-impaired	12m ECL
Doubtful	There has been a significant increase in credit since initial recognition	Lifetime ECL-not credit-impaired	Lifetime ECL-not credit-impaired
In default	There is evidence indicating that the asset is credit-impaired	Lifetime ECL-credit-impaired	Lifetime ECL-credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The estimated loss rates are estimated based on historical observed default rates over the expected lives of the debtors and are adjusted for forward-looking information, including but not limited to expected growth rate of the industry, that available without undue cost or effort. The expected credit loss rate applied on the Group's financial assets that subject to impairment under ECL model are ranging up to 6.89% and 6.89%, respectively, as at 31 December 2018 and 30 April 2019.

Upon adoption of HKFRS 9 on 1 January 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

Management assessed the expected loss on trade receivables individually by estimation based on historical credit loss experience, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

In addition, the directors of the Company are of the opinion that there has no default occurred for trade receivables past due 90 days and the balances are still considered fully recoverable due to long term/on-going relationship and good repayment record from these customers.

In determining the ECL for amounts due from directors, trade receivables at FVTOCI and other receivables, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate, for example, the Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in the Group's outstanding balances with directors, trade receivables at FVTOCI and other receivables is insignificant.

The management of the Group considers the bank balances that are deposited with the financial institutions with high credit rating to be low credit risk financial assets. The management of the Group considers the bank balances are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, loss allowance was considered as insignificant.

	Notes	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount	
				As at 31 December 2018	As at 30 April 2019
				US\$	US\$
Trade receivables	18	Performing	Lifetime ECL -not credit-impaired	4,004,060	3,447,574
Trade receivables at FVOCI	19	Performing	12m ECL	6,667,185	3,787,940
Bills receivables	18	Performing	12m ECL	1,975,598	169,623
Bills receivables discounted with recourse	18	Performing	12m ECL	1,919,533	2,087,557
Other receivables	20	Performing	12m ECL	350,215	274,719
Bank balances	23	Performing	12m ECL	3,139,538	5,380,201

### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the management of the Group, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group manage liquidity risk by maintaining adequate reserves and borrowing facilities and continuously monitoring forecast and actual cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other 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 rate curve at the end of the reporting period.

### Liquidity tables

	Weighted average effective interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Total undiscounted cash flows	Carrying amount						
								%	US\$	US\$	US\$	US\$	US\$
<b>As at 31 December 2016</b>													
Trade and bills payables	–	11,997,335	8,846,552	–	–	20,843,887	20,843,887						
Other payables		298,921	–	–	–	298,921	298,921						
Amounts due to related companies	–	757,106	–	–	–	757,106	757,106						
Bank borrowings	2.51	10,388,974	2,542	11,440	55,929	10,458,885	10,453,983						
		<u>23,442,336</u>	<u>8,849,094</u>	<u>11,440</u>	<u>55,929</u>	<u>32,358,799</u>	<u>32,353,897</u>						
Lease liabilities	5.50	50,448	100,895	443,549	1,712,851	2,307,743	1,977,311						

	Weighted average effective interest rate %	On demand or less than 1 month US\$	1 – 3 months US\$	3 months to 1 year US\$	1 – 5 years US\$	Total undiscounted cash flows US\$	Carrying amount US\$
<b>As at 31 December 2017</b>							
Trade and bills							
payables	–	5,583,067	9,628,814	–	–	15,211,881	15,211,881
Other payables		575,670	–	–	–	575,670	575,670
Amount due to a director	–	95,358	–	–	–	95,358	95,358
Amounts due to related companies	–	173,980	–	–	–	173,980	173,980
Dividend payable		3,525,945	–	–	–	3,525,945	3,525,945
Bank borrowings	2.10	7,408,879	5,509	24,792	98,601	7,537,781	7,529,984
		<u>17,362,899</u>	<u>9,634,323</u>	<u>24,792</u>	<u>98,601</u>	<u>27,120,615</u>	<u>27,112,818</u>
Lease liabilities	5.50	<u>49,928</u>	<u>99,856</u>	<u>471,899</u>	<u>1,166,381</u>	<u>1,788,064</u>	<u>1,491,706</u>
<b>As at 31 December 2018</b>							
Trade and bills							
payables	–	3,155,613	11,085,695	–	–	14,241,308	14,241,308
Other payables	–	620,311	–	–	–	620,311	620,311
Dividend payable	–	2,868,898	–	–	–	2,868,898	2,868,898
Amounts due to related companies	–	727,504	–	–	–	727,504	727,504
Bank borrowings	3.01	7,128,316	5,506	24,776	65,504	7,224,102	7,219,683
		<u>14,500,642</u>	<u>11,091,201</u>	<u>24,776</u>	<u>65,504</u>	<u>25,682,123</u>	<u>25,677,704</u>
Lease liabilities	5.50	<u>52,775</u>	<u>105,550</u>	<u>495,732</u>	<u>492,453</u>	<u>1,146,510</u>	<u>935,382</u>
<b>As at 30 April 2019</b>							
Trade and bills							
payables	–	2,073,330	8,947,268	–	–	11,020,598	11,020,598
Other payables	–	295,231	–	–	–	295,231	295,231
Dividend payable	–	2,858,811	–	–	–	2,858,811	2,858,811
Bank borrowings	2.32	7,792,428	6,973	23,202	54,301	7,876,904	7,873,410
		<u>13,019,800</u>	<u>8,954,241</u>	<u>23,202</u>	<u>54,301</u>	<u>22,051,544</u>	<u>22,048,050</u>
Lease liabilities	5.50	<u>56,222</u>	<u>112,444</u>	<u>523,477</u>	<u>273,264</u>	<u>965,407</u>	<u>780,941</u>

Bank borrowings with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 December 2016, 2017 and 2018 and 30 April 2019, the aggregate carrying amounts of these bank borrowings amounted to US\$10,387,703, US\$7,406,125, US\$7,125,564 and US\$7,789,685, respectively. As at 31 December 2016, the Group breached one of the financial covenants and repaid according to the scheduled repayment period. As at 31 December 2017 and 2018 and 30 April 2019, taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

**Maturity Analysis – Bank borrowings with a repayment on demand clause based on scheduled repayments**

	Less than 1 year US\$	1-2 years US\$	2-5 years US\$	Total undiscounted cash outflows US\$	Carrying amount US\$
31 December 2016	10,656,152	323,383	110,204	11,089,739	10,387,703
31 December 2017	7,529,664	108,480	–	7,638,144	7,406,125
31 December 2018	7,398,987	–	–	7,398,987	7,125,564
30 April 2019	8,092,236	–	–	8,092,236	7,789,685

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rate differ to those estimates of interest rates determined at the end of the reporting period.

**c. Fair value measurements of financial instruments**

This note provides information about how the Group determines fair values of financial assets and financial liabilities.

*(i) Fair values of the Group’s financial assets that are measured at fair value on a recurring basis*

Some of the Group’s financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and key inputs used).

	Fair value hierarchy at 1 January 2018		Fair value hierarchy at 31 December 2018		Fair value hierarchy at 30 April 2019		Valuation techniques and key inputs
	Level 2	Total	Level 2	Total	Level 2	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	
<u>Financial assets</u>							
Trade receivables at FVTOCI	8,291,972	8,291,972	6,667,185	6,667,185	3,787,940	3,787,940	<i>Note</i>

*Note:* Discounted cash flow. Future cash flows are estimated based on a rate under factoring arrangement.

*(ii) The management of the Group considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.*

## 37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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 consolidated statements of cash flows as cash flows from financing activities.

	Lease liabilities US\$	Bank borrowings US\$	Amount due to a director US\$	Amounts due to related companies US\$	Dividend payable US\$	Total US\$
At 1 January 2016	1,763,876	16,121,404	–	8,601,513	–	26,486,793
Foreign exchange translation	(132,747)	(15,371)	–	(10,852)	–	(158,970)
Financing cash flows	(546,089)	(6,118,335)	–	497,959	–	(6,166,465)
Interest expenses	18,752	466,285	–	–	–	485,037
New leases	1,029,334	–	–	–	–	1,029,334
Disposal of subsidiaries (Note 32)	(155,815)	–	–	–	–	(155,815)
Other change (Note a)	–	–	–	(8,331,514)	–	(8,331,514)
At 31 December 2016	1,977,311	10,453,983	–	757,106	–	13,188,400
Foreign exchange translation	72,548	(70,201)	(256)	(3,771)	–	(1,680)
Financing cash flows	(605,517)	(3,333,526)	95,614	(579,355)	–	(4,422,784)
Interest expenses	47,364	479,728	–	–	–	527,092
Dividend recognised as distribution (Note 13)	–	–	–	–	3,837,789	3,837,789
Other change (Note b)	–	–	–	–	(311,844)	(311,844)
At 31 December 2017	1,491,706	7,529,984	95,358	173,980	3,525,945	12,816,973
Foreign exchange translation	(45,071)	(5,445)	(338)	1,039	(9,319)	(59,134)
Financing cash flows	(640,152)	(785,931)	(95,020)	552,485	(3,516,417)	(4,485,035)
Interest expenses	78,912	481,075	–	–	–	559,987
New leases	49,987	–	–	–	–	49,987
Dividend recognised as distribution (Note 13)	–	–	–	–	3,196,113	3,196,113
Other change (Note b)	–	–	–	–	(327,424)	(327,424)
At 31 December 2018	935,382	7,219,683	–	727,504	2,868,898	11,751,467
Foreign exchange translation	(44,781)	(25,822)	–	(2,092)	(10,087)	(82,782)
Financing cash flows	(143,100)	458,555	–	(725,412)	–	(409,957)
Interest expenses	33,440	220,994	–	–	–	254,434
At 30 April 2019	<u>780,941</u>	<u>7,873,410</u>	<u>–</u>	<u>–</u>	<u>2,858,811</u>	<u>11,513,162</u>
<b>For the four months ended 30 April 2018 (unaudited)</b>						
At 1 January 2018	1,491,706	7,529,984	95,358	173,980	3,525,945	12,816,973
Foreign exchange translation	76,158	(29,325)	(338)	24,952	(16,607)	54,840
Financing cash flows	(213,485)	(492,973)	(95,020)	405,852	–	(395,626)
Interest expenses	22,923	127,764	–	–	–	150,687
New leases	49,987	–	–	–	–	49,987
At 30 April 2018	<u>1,427,289</u>	<u>7,135,450</u>	<u>–</u>	<u>604,784</u>	<u>3,509,338</u>	<u>12,676,861</u>

## Notes:

- (a) The other change represent the non-cash set off transaction between amounts due from/to related companies.
- (b) The other change represent the settlement of dividend payable through amounts due from directors/immediate holding company.

**38. RELATED PARTY DISCLOSURES**

(a) During the Track Record Period, the Group entered into the following transactions with related parties:

Name of related parties	Nature of transactions	Year ended 31 December			Four months ended 30 April	
		2016 US\$	2017 US\$	2018 US\$	2018 US\$	2019 US\$
					<i>(unaudited)</i>	
Calman Limited**	Management fee income	7,731	-	-	-	-
Calman Limited**	Rental expenses	77,307	77,027	76,548	25,545	25,495
Enos Limited*	Management fee income	45,844	-	-	-	-
Lever Shirt (Shenzhen) Co. Ltd.*	Subcontracting charges	8,675,106	-	-	-	-

\* The company is controlled by Mr. Szeto.

\*\* The company is controlled by Mr. Bernard Szeto and Ms. Fong Tong, both are close family member of Mr. Szeto.

(b) The Group's bank borrowings were secured by personnel guarantee from Mr. Bernard Szeto, a close family member of Mr. Szeto.

(c) Compensation of key management personnel

The remuneration of key management personnel which represents the directors of the Company and key executives of the Group during the Track Record Period was as follows:

	Year ended 31 December			Four months ended 30 April	
	2016 US\$	2017 US\$	2018 US\$	2018 US\$	2019 US\$
				<i>(unaudited)</i>	
Salaries and other allowances	734,417	850,119	892,551	297,859	297,278
Performance related bonus	155,432	245,456	689,602	-	-
Share-based payments	396,452	-	-	-	-
Retirement benefit scheme contributions	7,730	7,703	7,654	2,554	2,550
	<u>1,294,031</u>	<u>1,103,278</u>	<u>1,589,807</u>	<u>300,413</u>	<u>299,828</u>

Performance related bonus was determined with reference to the Group's revenue, operating results, individual performance and comparable market statistics.

The remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.

(d) The Group's outstanding balances with related parties are set out in Note 22.



## 39. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group				Date of this report	Principal activities	Form of company	Notes
			As at 31 December 2016	2017	2018	As at 30 April 2019				
Lever Shirt Holdings	British Virgin Islands ("BVI") 7 February 2002	US\$50,000	100%	100%	100%	100%	100%	Investment holding	Limited liability	(b)
Lever Style Inc.	BVI 28 March 2007	US\$11,428	100%	100%	100%	100%	100%	Investment holding	Limited liability	(b)
TTL Manufacturing Ltd.	BVI 8 December 2006	US\$1	100%	100%	100%	100%	100%	Investment holding	Limited liability	(b)
Lever Garment Ltd. ("Lever Garment")	Hong Kong 4 April 2001	HK\$2	100%	100%	100%	100%	100%	Inactive	Limited liability	(c)
Lever Shirt 利華成衣有限公司	Hong Kong 18 May 1956	HK\$20,000,000	100%	100%	100%	100%	100%	Trading of garment	Limited liability	(d)
Levertex	Hong Kong 21 February 1986	HK\$100,000	100%	100%	100%	100%	100%	Trading of garment	Limited liability	(d)
Euford Enterprise Co Ltd. ("Euford")	Hong Kong 9 June 1987	HK\$10,000	100%	100%	100%	100%	100%	Inactive	Limited liability	(c)
Plazzo Ltd. ("Plazzo")	Hong Kong 17 March 1987	HK\$2	100%	100%	100%	100%	100%	Inactive	Limited liability	(e)
Lever Apparel Limited ("Lever Apparel") 利華服裝有限公司	Hong Kong 27 May 1969	HK\$10,000,000	100%	100%	100%	100%	100%	Trading of garment	Limited liability	(d)
Topsun Garment Limited ("Topsun") 聯邦製衣有限公司	Hong Kong 26 February 1975	HK\$1,500,000	100%	100%	100%	100%	100%	Investment holding	Limited liability	(d)
Jadestar 石星投資有限公司	Jersey 25 November 1994	GBP2,002	N/A	N/A	N/A	N/A	N/A	Investment holding	Limited liability	(f)
漢精益服裝(深圳)有限公司 ("漢精益")	PRC 28 October 2013	HK\$8,500,000	100%	100%	100%	100%	100%	Trading of garment	Wholly foreign owned	(g)
Glad Garments	PRC 18 October 2001	HK\$56,537,100	N/A	N/A	N/A	N/A	N/A	Manufacturing of garment	Wholly foreign owned	(f)
利華設計院(深圳)有限公司 ("利華設計院")	PRC 25 January 2016	US\$1,300,000	100%	100%	100%	100%	100%	Design and trading of garment	Wholly foreign owned	(h)

None of the subsidiaries had issued any debt securities at the end of the year/period or at any time during the Track Record Period.

## Notes:

- (a) Each of the Company and its subsidiaries has adopted 31 December as its financial year end date.
- (b) No statutory audited financial statements have been prepared for the Company, Lever Style Inc., Lever Shirt Holdings and TTL Manufacturing Ltd. since their respective dates of incorporation as they were incorporated in jurisdictions where there are no statutory audit requirements.
- (c) The statutory financial statements of Lever Garment and Euford for the year ended 31 December 2016, 2017 and 2018 were prepared in accordance with Hong Kong Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") and Hong Kong Financial Reporting Standard for Private Entities issued by the HKICPA respectively. These companies were audited by Ng, Suen, Lau C.P.A. Limited.
- (d) The statutory financial statements of Lever Shirt, Levertex, Lever Apparel and Topsun for the year ended 31 December 2016 and 2017 were prepared in accordance with HKFRSs issued by the HKICPA. These companies were audited by us. The statutory financial statements of these companies for the year ended 31 December 2018 have not been issued as they are not yet due for issuance as at the date of the report.
- (e) The statutory financial statements of Plazzo for the year ended 31 December 2016, 2017 and 2018 were prepared in accordance with SME-FRS issued by the HKICPA. Plazzo was audited by Ng, Suen, Lau C.P.A. Limited.
- (f) No audited financial statements were available for the year ended 31 December 2016 as the companies were disposed of in August 2016.
- (g) The statutory financial statements of 漢精益 for the year ended 31 December 2016, 2017 and 2018 were prepared in accordance with Accounting Standards for Business Enterprises of People's Republic of China ("CAS") issued by the China Ministry of Finance and were audited by 深圳銘鼎會計師事務所.
- (h) The statutory financial statements of 利華設計院 for the year ended 31 December 2016, 2017 and 2018 were prepared in accordance with CAS issued by the China Ministry of Finance and were audited by 東莞市駿業會計師事務所(普通合夥).

**40. FINANCIAL INFORMATION OF THE COMPANY****(a) Investment in a subsidiary**

	<b>At 30 April 2019 US\$</b>
Unlisted equity investments, at cost	<u>14,344,150</u>

**(b) Movement of the Company's reserves**

Below is a table showing the movements of the reserves of the Company since its incorporation and up to 30 April 2019:

	<b>Share premium US\$</b>	<b>Capital reserve US\$</b>	<b>Accumulated losses US\$</b>	<b>Total US\$</b>
As at 27 February 2019 (date of incorporation)	–	–	(286,662)	(286,662)
Loss and total comprehensive expense for the period	–	–	(809,640)	(809,640)
Waiver of listing expenses by a subsidiary	–	286,662	–	286,662
Issue of shares	14,344,137	–	–	14,344,137
As at 30 April 2019	<u>14,344,137</u>	<u>286,662</u>	<u>(1,096,302)</u>	<u>13,534,497</u>

**(c) Amount due to a subsidiary**

The amount is unsecured, interest-free and repayable on demand.

**(d) No statutory financial statements have been prepared for the Company since its date of incorporation as it is incorporated in the jurisdiction where there is no statutory audit requirement.****41. EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed in the report, subsequent to 30 April 2019, the following significant events took place:

- Pursuant to the resolutions in writing of the shareholders of the Company passed on 12 October 2019, subject to the share premium account of the Company being credited as a result of the Global Offering, the directors of the Company were authorised to allot and issue a total of 479,980,000 shares credited as fully paid at par by way of capitalisation of the sum of HK\$4,799,800 standing to the credit of the share premium account of the Company, and the shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued shares.
- Pursuant to the resolutions in writing of the shareholders of the Company passed on 12 October 2019, the Company has conditionally adopted a share option scheme (the "Share Option Scheme"). The principal terms of the Share Option Scheme are summarised in the paragraph headed "14. Share Option Scheme" in Appendix IV to the Prospectus.

**42. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Group, the Company nor any of its subsidiaries have been prepared in respect of any period subsequent to 30 April 2019 and up to the date of this report.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the accountants' report for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 of the Group (the "Accountants' Report") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" of this prospectus and the "Accountants' Report" set forth in Appendix I to this prospectus.

### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 April 2019, as if the Global Offering had taken place on such date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 April 2019 or at any future dates following the Global Offering. It is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 April 2019 as shown in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 April 2019 US\$ (Note 1)	Estimated net proceeds from the Global Offering US\$ (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 April 2019 US\$	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 April 2019 per Share US\$ (Note 3)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 April 2019 per Share HK\$ (Note 4)
Based on Offer Price of HK\$0.85 per share	14,895,926	14,805,538	29,701,464	0.046	0.36
Based on Offer Price of HK\$1.05 per share	14,895,926	18,739,497	33,635,423	0.053	0.41

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## APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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*Notes:*

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 April 2019 is based on the consolidated net assets of the Group attributable to the owners of the Company amounted to approximately US\$14,895,926, extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Global Offering are based on 160,000,000 Offer Shares at the Offer Price of HK\$0.85 and HK\$1.05 per share, after deduction of the estimated underwriting fees and other related fees and expenses incurred or expected to be incurred by the Group (excluding approximately US\$1,096,302 of listing expenses which have been charged to profit or loss up to 30 April 2019 by the Group). It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the Company's general mandates, as referred to under the sections headed "Share capital – General mandate to allot and issue Shares" or "Share capital – General mandate to repurchase Shares" of this prospectus. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into United States dollars at an exchange rate of HK\$7.8496 to US\$1.0000. No representation is made that Hong Kong dollars amounts have been, could have been or may be converted to United States dollars, or vice versa, at that rate or at all.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 April 2019 per share has been arrived at after making the adjustments referred to in note 2 above and on the basis of 640,000,000 Shares are in issue assuming that the Global Offering and the Capitalisation Issue had been completed on 30 April 2019. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme or any Share which may be issued or repurchased by the Company pursuant to the Company's general mandates, as referred to under the sections headed "Share capital – General mandate to allot and issue Shares" or "Share capital – General mandate to repurchase Shares" of this prospectus.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 April 2019 per share is converted from United States dollars to Hong Kong dollars at an exchange rate of HK\$7.8496 to US\$1.0000. No representation is made that Hong Kong dollars amounts have been, could have been or may be converted to United States dollars, or vice versa, at that rate or at all.
5. No adjustments have been made to the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2019.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Lever Style Corporation**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Lever Style Corporation (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 April 2019 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 31 October 2019 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed global offering on the Group's financial position as at 30 April 2019 as if the proposed global offering had taken place at 30 April 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for the three years ended 31 December 2018 and four months ended 30 April 2019, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**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 Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 April 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 31 October 2019



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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 February 2019 under the Companies Law. Our Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

**1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of our 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 our Company is established are unrestricted (including acting as an investment company), and that our 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 our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) Our 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 12 October 2019 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 our 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 our 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*

Our 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 our Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

Our 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.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

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 our 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 our Company.

*(v) Power of our Company to purchase its own shares*

Our 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 our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our 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 our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

*(vi) Power of any subsidiary of our Company to own shares in our Company*

There are no provisions in the Articles relating to ownership of shares in our 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 our 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 our Company all monies which, at the date of forfeiture, were payable by him to our 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 our 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 our Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our 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 our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our 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 our 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 our 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 our Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our 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 our 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 to their nominal value.

Neither our 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 our Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of our 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 our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

***(iv) Borrowing powers***

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

***(v) Remuneration***

The ordinary remuneration of the Directors is to be determined by our 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 our 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 our 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 our Company or companies with which it is associated in business) in establishing and making contributions out of our 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 past Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our 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.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of our Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than our Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, our Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by our Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.



*(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 our Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

Our 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 our Company were a company incorporated in Hong Kong.

*(viii) Disclosure of interests in contracts with our Company or any of its subsidiaries*

A Director may hold any other office or place of profit with our Company (except that of the auditor of our 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 therefore 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 our Company or any other company in which our Company may be interested, and shall not be liable to account to our 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 our 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 our 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 our 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 our 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 our 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 our 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 our Company or any other company which our 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 our Company by virtue only of his/their interest in shares or debentures or other securities of our 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 our 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 our Company's name**

The Articles may be rescinded, altered or amended by our 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 our Company.

**(e) Meetings of members*****(i) Special and ordinary resolutions***

A special resolution of our 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 our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

***(ii) Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our 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 our 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 our 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 our Company or restricted to voting only for or only against any particular resolution of our 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***

Our Company must hold an annual general meeting of our 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 our 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 two (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 requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by our 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 our 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 our Company, and also to, among others, the auditors for the time being of our 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 our 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 our 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; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(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 our Company entitled to attend and vote at a meeting of our 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 our Company or at a class meeting. A proxy need not be a member of our 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 as 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 our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our 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 our Company except as conferred by law or authorised by the board or our 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 our 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 our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our 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 our 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 our Company in general meeting or in such manner as the members may determine.

The financial statements of our 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**

Our 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 our 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 our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our 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.

Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our 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 our 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 our 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 our 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 our Company until claimed and our 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 our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our 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 our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that our 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 our Company is wound up and the assets available for distribution amongst the members of our 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 our 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 our 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 our 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 our Company and our 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**

Our 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, our Company's operations must be conducted mainly outside the Cayman Islands. Our 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 our 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 our 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 our company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of our 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, our 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 our company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of our 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 our 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 our 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 our 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 our 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, our 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 our company, the directors of our company resolve to hold such shares in the name of our company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, our company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, our 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 our company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of our 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 our 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 our company's assets (including any distribution of assets to members on a winding up) may be made to our 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 our company to challenge (a) an act which is ultra vires our company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of our 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 our company in issue, appoint an inspector to examine into the affairs of our 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 our company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of our company's affairs in the future, (b) an order requiring our 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 our 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 our company by other shareholders or by our company itself and, in the case of a purchase by our company itself, a reduction of our 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 our 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 our 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 our company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by our company; and (iii) the assets and liabilities of our 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 our company's affairs and to explain its transactions.

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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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, our 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 our 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 our Company.

The undertaking for our Company is for a period of twenty years from 14 March 2019.

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 our 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**

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) are made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of our 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. The register of members shall contain such particulars as required by Section 40 of the Companies Law. 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. Our company shall cause to be kept at the place where our 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**

Our 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 thirty (30) days of any change in such directors or officers.

**(p) Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of our company or have rights to appoint or remove a majority of the directors of our company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of our Company are listed on the Stock Exchange, our Company is not required to maintain a beneficial ownership register.



**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of our company have passed a special resolution requiring our company to be wound up by the Court, or where our 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 our company as contributories on the ground that it is just and equitable that our 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 our company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of our 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 our company by other members or by our company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when our company so resolves by special resolution or when our 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 our company shall be in the custody of the Court.

As soon as the affairs of our 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 our company has been disposed of, and thereupon call a general meeting of our 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 our 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).

**(u) Economic Substance Requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is a tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

**4. GENERAL**

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent to our 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.

**FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 27 February 2019. Our Company has established its principal place of business in Hong Kong at 137 InnoCentre, 72 Tat Chee Avenue, Kowloon Tong, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 29 March 2019. Dr. Chan and Mr. Lee were appointed as the authorised representatives of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Law and to its constitution comprising the Memorandum and the Articles. A summary of certain provisions of the Memorandum and Articles of our Company and relevant aspects of the Cayman Companies Law is set out in Appendix III to this prospectus.

**2. Changes in the share capital of our Company**

The authorised share capital of our Company as at the date of its incorporation was HK\$3,800 divided into 380,000 Shares of HK\$0.01 each. Upon its incorporation, one Share was allotted and issued to a representative of Conyers Trust Company (Cayman) Limited and transferred to Mr. Lee, following which 6,368 Shares, 2,188 Shares, 500 Shares, 443 Shares, 299 Shares, 135 Shares and 66 Shares were allotted and issued to Lever Style Holdings, Fung Trinity Holdings Limited, Dr. Chan, Mr. Yuen Kam Sun, Mr. Lee, Ms. Haruko Enomoto and Mr. Andersen Dee Allen respectively for cash at par value. The following alterations in the share capital of our Company have taken place since the date of incorporation up to the date of this prospectus:

On 12 October 2019, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each by creation of an additional 962,000,000 Shares of HK\$0.01 each which rank equally in all respects with the existing Shares.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company since its incorporation up to the Latest Practicable Date.

**3. Changes in the share capital of our subsidiaries**

Our principal subsidiaries are set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

There has been no alteration in the share capital of our Company's subsidiaries within two years immediately preceding the date of this prospectus up to the Latest Practicable Date.

**4. Resolutions in writing of the Shareholders passed on 12 October 2019**

Pursuant to the resolutions in writing passed by the Shareholders on 12 October 2019, among other things:

- (a) our Company approved and adopted the amended and restated Memorandum with immediate effect and the Articles of our Company with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$10,000,000 divided into 1,000,000,000 Shares by the creation of additional 962,000,000 Shares, which rank equally in all respects with the Shares in issue as at the date of such resolutions;
- (c) conditional on (aa) the Listing Committee granting the listing of, and permission to deal in, on the Main Board, the Shares in issue and Shares to be allotted and issued as mentioned in this prospectus including the Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option and options to be granted under the Share Option Scheme and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange; (bb) the Offer Price having been duly determined and the execution and delivery of the Hong Kong Underwriting Agreement on or about the date as specified in this prospectus; and (cc) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreement (or any conditions as specified in this prospectus), in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived before such dates and times) and in any event not later than the date falling 30 days after the date of this prospectus:
  - (i) the Global Offering by our Company was approved and our Directors were authorised to (aa) allot, issue and transfer the Offer Shares pursuant to the Global Offering; (bb) approve transfer of Sale Shares (cc) implement the Global Offering and the listing of Shares on the Stock Exchange; and (dd) do all things and execute all documents in connection with or incidental to the Global Offering and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “14. Share Option Scheme” in this appendix, were approved and adopted and our Directors were authorised to approve any amendment(s) to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal

with the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise HK\$4,799,800 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 479,980,000 Shares for allotment and issue on the Listing Date to holders of Shares whose names appear on the register of members of our Company at the Business Day immediately prior to the Listing Date, the business day immediately prior to the Listing Date (or as they may direct) in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;
  
- (iv) a general unconditional mandate (the “**Issue Mandate**”), pursuant to authority granted by our Shareholders, was given to our Directors to exercise all powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might acquire Shares to be allotted and issued), 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 cash dividend in accordance with the Articles, or under the Global Offering or the Capitalisation Issue, or upon the exercise of the Over-Allotment Option or any option(s) which may be granted under the Share Option Scheme or other arrangements regulated under Chapter 17 of the Listing Rules, Shares with an aggregate number not exceeding the sum of (aa) 20.0% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue and (bb) the aggregate number of Shares which may be repurchased by our Company pursuant to the authority granted to our Directors as referred to in subparagraph (vi) below, 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 or any applicable law(s) of the Cayman Islands to be held, or the passing of an ordinary resolution by Shareholders in general meeting, renewing, revoking or varying the authority given to our Directors, whichever occurs first;

- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10.0% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue, 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 or any applicable law(s) of the Cayman Islands to be held or the passing of an ordinary resolution by Shareholders in general meeting, renewing, revoking or varying the authority given to our Directors, whichever occurs first; and
- (vi) the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to the Issue Mandate of an amount representing the aggregate number of Shares repurchase by our Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed 10.0% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue;
- (d) our Company approved the form and substance of each of the service contracts made between each of our executive Directors and our Company, and the form and substance of each of the appointment letter made between each of our independent non-executive Directors with our Company.

## 5. Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For details, please refer to the section headed “History, Reorganisation and Group structure” of this prospectus.

## 6. Repurchase by our Company of its own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

### *(a) Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Main Board of the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own shares.

#### *(i) Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the resolutions in writing of the Shareholders passed on 12 October 2019, the Repurchase Mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or any other stock exchange on which the Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, Shares representing up to 10.0% of the aggregate number of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme) and the Repurchase Mandate shall remain in effect 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 or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in general meeting, renewing, revoking or varying the authority given to our Directors, whichever occurs first.

#### *(ii) Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the Cayman Companies Law. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchase(s) by us may be made out of profits of our Company, share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on a

redemption or the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if so authorised by the Articles and subject to the Cayman Companies Law, out of capital.

*(iii) Core Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person" (as defined in the Listing Rules), which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

***(b) Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

***(c) Funding of repurchase***

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our Articles, 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 Company, our Directors consider that, if the Repurchase 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 to the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Group which, in the opinion of our Directors, are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 640,000,000 Shares in issue immediately after the Listing (but without taking into account any Shares which may be allotted and issued pursuant to the options which may be granted under the Share Option Scheme), would result in up to 64,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.



(d) *General*

None of our Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention, if the Repurchase Mandate is exercised, to sell any Share(s) 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 Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders co-operating, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25.0% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**

### **7. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the sale and purchase agreement dated 8 April 2019 entered into among Lever Style Holdings, Fung Trinity Holdings Limited, Dr. Chan, Mr. Yuen Kam Sun, Mr. Lee, Ms. Haruko Enomoto and Mr. Andersen Dee Allen and our Company in relation to the transfer of all the issued share capital of Lever Style Inc. to our Company in consideration of our Company issuing and allotting 6,368 Shares, 2,188 Shares, 500

Shares, 443 Shares, 300 Shares, 135 Shares and 66 Shares to Lever Style Holdings, Fung Trinity Holdings Limited, Dr. Chan, Mr. Yuen Kam Sun, Mr. Lee, Ms. Haruko Enomoto and Mr. Andersen Dee Allen respectively, all credited as fully paid;

- (b) the deed of indemnity dated 12 October 2019 executed by our Controlling Shareholders as indemnifiers in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in the paragraph headed “Other information – 15. Tax and other indemnities” in Appendix IV to this prospectus;
- (c) the deed of non-competition dated 12 October 2019 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in the paragraph headed “Deed of non-competition” under the section headed “Relationship with our Controlling Shareholders” of this prospectus;
- (d) the Hong Kong Underwriting Agreement dated 30 October 2019 relating to the Hong Kong Public Offering entered into among our Company, our Controlling Shareholders, our executive Directors, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, as further described under the section headed “Underwriting” of this prospectus;
- (e) the cornerstone investment agreement dated 24 October 2019 entered into among our Company, Mr. Soegianto, the Sponsor and the Sole Global Coordinator, as further described under the section headed “Cornerstone Investors” of this prospectus;
- (f) the cornerstone investment agreement dated 24 October 2019 entered into among our Company, Mr. Victor Herrero, the Sponsor and the Sole Global Coordinator, as further described under the section headed “Cornerstone Investors” of this prospectus; and
- (g) the cornerstone investment agreement dated 24 October 2019 entered into among our Company, Poolside Ventures Limited, the Sponsor and the Sole Global Coordinator, as further described under the section headed “Cornerstone Investors” of this prospectus.

## 8. Material intellectual property rights of our Group

### (a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks which are considered material to our business:

Trademarks	Registered owner	Place of registration	Class	Registration number	Registration date	Expiry date
Lever Group	Lever Apparel	Hong Kong	25	304289338	29 September 2017	28 September 2027
利華集團	Lever Apparel	Hong Kong	25	304289329	29 September 2017	28 September 2027
∞ leverstyle	Lever Apparel	Hong Kong	25	304315897	27 October 2017	26 October 2027
Lever Style	Lever Apparel	Hong Kong	25	304289347	29 September 2017	28 September 2027
利華	Lever Design (Shenzhen) Co. Limited*	PRC	42	27451721	28 January 2019	27 January 2029
Leverstyle	Lever Design (Shenzhen) Co. Limited*	PRC	42	27438279	21 January 2019	20 January 2029
∞ leverstyle	Lever Design (Shenzhen) Co. Limited*	PRC	42	27438268	21 January 2019	20 January 2029

### (b) Patents

As at the Latest Practicable Date, our Group has registered the following patents which are considered material to our business:

Patent No.	Patent owner	Registration date	Expiry date	Issuing bureau/ authority
ZL 2016 2 0650379.5	Lever Design (Shenzhen) Co. Limited*	27 June 2016	27 June 2026	State Intellectual Property Office of the PRC
ZL 2016 2 0587162.4	Lever Design (Shenzhen) Co. Limited*	15 June 2016	15 June 2026	State Intellectual Property Office of the PRC
ZL 2016 2 0680672.6	Lever Design (Shenzhen) Co. Limited*	29 June 2016	29 June 2026	State Intellectual Property Office of the PRC

*(c) Domain name*

As at the Latest Practicable Date, our Group has the rights to use the following domain name:

<b>Domain name</b>	<b>Registrant</b>	<b>Registration date</b>	<b>Expiry date</b>
www.leverstyle.com	Perfect Privacy, LLC	16 March 2007	16 March 2022

Save as disclosed in this prospectus, there are no other trademarks, patents or other intellectual property rights which are material in relation to the business of our Group.

## **FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

### **9. Particulars of Directors' service contracts and letters of appointment**

*(a) Executive Directors' service contracts*

Each of our executive Directors has entered into a service contract with our Company. The terms and conditions of each of such service contracts are similar in all material aspects. Each service contract is for an initial term of three years with effect from the Listing Date and shall continue thereafter unless and until it is terminated by our Company or our Director giving to the other not less than two months' prior notice in writing. Under the service contracts, the initial annual salary payable to our executive Directors is as follows:

<b>Name</b>	<b>Amount</b> <i>(HK\$)</i>
Mr. Szeto	2,880,000.0
Dr. Chan	2,760,000.0
Mr. Lee	2,160,000.0

Each of our executive Directors is entitled to a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of that executive Director. Each of our executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary and discretionary bonus payable to himself or herself.

*(b) Non-executive Director's letter of appointment*

Our non-executive Director has entered into a letter of appointment with our Company on 12 October 2019. Each letter of appointment is for an initial term of one year commencing from the Listing Date and shall continue thereafter unless terminated by either party giving at least one month's notice in writing. Under the letter of appointment, the annual director's fees payable to our non-executive Director are as follows:

<b>Name</b>	<b>Amount</b> (HK\$)
Mr. Kim William Pak	120,000

*(c) Independent non-executive Directors' letters of appointment*

Each of our independent non-executive Directors has entered into a letter of appointment with our Company on 12 October 2019. Each letter of appointment is for an initial term of one year commencing from the Listing Date and shall continue thereafter unless terminated by either party giving at least one month's notice in writing. Under the letters of appointment, the annual director's fees payable to our independent non-executive Directors are as follows:

<b>Name</b>	<b>Amount</b> (HK\$)
Mr. See Tak Wah	120,000
Mr. Auyang Pak Hong Bernard	120,000
Mr. Lee Shing Tung Tommy	120,000

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

*(d) Directors' remuneration*

The aggregate of the remuneration (including salaries and allowance, if any) paid and benefits in kind granted by our Group to our Directors for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 were approximately US\$1,278,716, US\$1,103,278, US\$1,589,807 and US\$299,828 respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding any discretionary bonus, if any, payable to the Director) payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 December 2019 is estimated to be approximately US\$902,000.

None of our Directors or any past directors of any member of our Group has been paid or stood to receive any sum of money during the Track Record Period (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.

#### **10. Interests and short positions of Directors in the share, underlying shares or debentures of our Company and its associated corporations**

Immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme) and the Capitalisation Issue, the interests or short positions of our Directors and the chief executives of our Company in the Shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, in each case once the Shares are listed on the Stock Exchange, will be as follows:

#### ***Long positions in the Shares of our Company immediately after completion of the Global Offering and the Capitalisation Issue***

<b>Name of Director</b>	<b>Capacity/Nature of interest</b>	<b>Number of Shares<sup>(Note 1)</sup></b>	<b>Approximate percentage of shareholding in our Company</b>
Mr. Szeto	Interest of controlled corporation <sup>(Note 2)</sup>	305,664,000 (L)	47.76%
Dr. Chan	Beneficial owner	24,000,000 (L)	3.75%
Mr. Lee	Beneficial owner	14,400,000 (L)	2.25%

*Notes:*

- The Letter "L" denotes the person's long position in the relevant Shares.
- Lever Style Holdings is beneficially owned as to 14.0% and 86.0% by Ms. Fong Tong and Imaginative Company Limited. Imaginative Company Limited is wholly-owned by Mr. Szeto. Accordingly, Mr. Szeto, Imaginative Company Limited and Ms. Fong Tong are interested in 305,664,000 Shares.

### 11. Interest of substantial Shareholders and other Shareholders in the Shares and underlying Shares of our Company

So far as is known to our Directors, immediately following completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Share Option Scheme) and the Capitalisation Issue, the following persons (not being a Director or the chief executive of our Company) will have an interest or a short position in Shares or underlying shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, 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 other member of our Company:

*(i) Interest or short position in our Company immediately after completion of the Global Offering and the Capitalisation Issue*

Name of Shareholder	Capacity/Nature of interest	Number of Shares <sup>(Note 1)</sup>	Approximate percentage of shareholding in our Company
Imaginative Company Limited	Interest of controlled corporation <sup>(Note 2)</sup>	305,664,000 Shares (L)	47.76%
Lever Style Holdings	Beneficial owner <sup>(Note 2)</sup>	305,664,000 Shares (L)	47.76%
Fung Trinity Holdings Limited	Beneficial owner <sup>(Note 3)</sup>	92,224,000 Shares (L)	14.41%
Fung Capital Asia Fund (I) Limited	Interest of controlled corporation <sup>(Note 3)</sup>	92,224,000 Shares (L)	14.41%
Fung Capital Limited	Interest of controlled corporation <sup>(Note 3)</sup>	92,224,000 Shares (L)	14.41%
Poolside Ventures Limited	Beneficial owner <sup>(Note 4)</sup>	32,992,000 Shares (L)	5.12%

(ii) *Interest or short position in other members of our Group immediately after completion of the Global Offering and Capitalisation Issue*

Name of Shareholder	Capacity/Nature of interest	Number of Shares <sup>(Note 1)</sup>	Percentage of shareholding in our Company
Fung Investments Limited	Interest of controlled corporation <sup>(Note 3)</sup>	92,224,000 Shares (L)	14.41%
King Lun Holdings Limited	Interest of controlled corporation <sup>(Note 3)</sup>	92,224,000 Shares (L)	14.41%
Dr. William Fung Kwok Lun	Interest of controlled corporation <sup>(Note 3)</sup>	92,224,000 Shares (L)	14.41%
HSBC Trustee (CI) Limited	Interest of controlled corporation <sup>(Note 3)</sup>	92,224,000 Shares (L)	14.41%

*Notes:*

- The Letter “L” denotes the person’s long position in the relevant Shares.
- Lever Style Holdings is beneficially owned as to 14.0% and 86.0% by Ms. Fong Tong and Imaginative Company Limited respectively. Imaginative Company Limited is in turn wholly-owned by Mr. Szeto. Accordingly, Mr. Szeto, Ms. Fong Tong and Imaginative Company Limited are interested in 305,664,000 Shares for the purpose of SFO.
- Fung Trinity Holdings Limited is wholly-owned by Fung Capital Asia Fund (I) Limited. The entire voting rights of Fung Capital Asia Fund (I) Limited is owned by Fung Capital Limited. Fung Capital Limited is wholly-owned by Fung Investments Limited which is wholly-owned by King Lun Holdings Limited, which is legally owned as to 50.0% and 50.0% by Dr. William Fung Kwok Lun and HSBC Trustee (CI) Limited respectively, being the trustee of a family trust established for the family of Dr. Victor Fung Kwok King.
- Poolside Ventures Limited is a cornerstone investor. The number of Shares held by it immediately after the Global Offering is calculated assuming an Offer Price of HK\$0.95 (being the mid-point of the indicative Offer Price range stated in this prospectus). For further information about Poolside Ventures Limited and the number of Shares held by it immediately after the Global Offering on the assumption of the high-end, mid-point and low-end of the indicate Offer Price range, please refer to the paragraph headed “Details of the cornerstone investors” under the section headed “Cornerstone investors” of this prospectus.

## 12. Related party transactions

During the Track Record Period, our Group engaged in the related party transactions as mentioned in note 37(a) of the Accountants’ Report set out in Appendix I to this prospectus.



**13. Disclaimers**

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interests and short positions in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken 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 will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any of our Directors or chief executive of our Company, no person has an interest or short position in the Shares and underlying shares of our Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly 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 other member of our Group;
- (c) none of our Directors nor any of the persons listed under the sub-section headed “21. Qualifications and consents of experts” below is interested, directly or indirectly, in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or were 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/her own name or in the name of a nominee;
- (d) none of our Directors or the persons listed under the sub-section headed “21. Qualifications and consents of experts” below is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;
- (e) none of the persons listed under the sub-section headed “21. Qualifications and consents of experts” below has any shareholding (whether legally or beneficially) 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;

- (f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and
- (g) so far as is known to our Directors, none of our Directors or their associates or any shareholder of our Company (which to the knowledge of our Directors owns 5.0% or more of the issued share capital of our Company) has any interest in any of the five largest customers or suppliers of our Group.

#### 14. Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme, which was approved by the resolutions in writing of the Shareholders passed on 12 October 2019. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

##### *(a) Purpose of the Share Option Scheme*

The purpose of this Share Option Scheme is to enable the Board to grant options to Eligible Persons (as defined below) as incentives or rewards for their contribution or potential contribution to our Group and to recruit and retain high calibre Eligible Persons and attract human resources that are valuable to our Group.

##### *(b) Who may join*

Subject to the provisions in the Share Option Scheme, our Directors may at any time and from time to time within a period of 10 years commencing from the date of adoption of the Share Option Scheme at their absolute discretion and subject to such terms, conditions, restrictions or limitations as they may think fit, offer, at the consideration of HK\$1.0 per option, to grant option to any person belonging to the following classes of participants (the “**Eligible Person(s)**”):

- (i) any employee or proposed employee (whether full time or part time, including any director) of any member of our Group or invested entity; and
- (ii) any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder or other participants who contributes to the development and growth of our Group or any invested entity.

(c) *Maximum number of Shares*

- (i) 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 shall not, in aggregate, exceed 30.0% of the total number of Shares in issue from time to time (“**Overall Limit**”). No option under any schemes may be granted if this will result in the Overall Limit being exceeded.
- (ii) 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 in aggregate exceed 64,000,000 Shares, being 10.0% of the total number of Shares (assuming no options are granted under the Share Option Scheme) in issue on the Listing Date (the “**Scheme Limit**”) unless approved by our Shareholders pursuant to paragraph (iv) below. Options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company shall not be counted for the purpose of calculating the Scheme Limit.
- (iii) Our Company may seek separate approval of the Shareholders in general meeting for refreshing the Scheme Limit provided that such limit as refreshed shall not exceed 10.0% of the total number of Shares (assuming no options are granted under the Share Option Scheme) in issue as at the date of the approval of the Shareholders on the refreshment of the Scheme Limit. 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 limit as refreshed.

For the purpose of seeking the approval of Shareholders, a circular 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 option serve such purpose and any other the information as required under the Listing Rules shall be sent by our Company to the Shareholders.

- (iv) Our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the Scheme Limit provided that the Options in excess of the Scheme Limit are granted only to Eligible Persons specifically identified by our Company before such approval is sought and that the proposed grantee(s) and his close associates (or his associates if the proposed grantee is a connected person) shall abstain from voting in the general meeting. For the purpose of seeking the approval of the Shareholders, our Company shall send a circular to the 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 any other information as required under the Listing Rules.

*(d) Maximum entitlement of each Eligible Person*

No option shall be granted to any Eligible Person 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 would exceed 1.0% of the total number of Shares in issue from time to time (the “**Participant Limit**”), unless:

- (i) such grant has been duly approved by shareholders in general meeting, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of the Shareholders in general meeting, at which the Eligible Person and his close associates or his associates if the participant is a connected person shall abstain from voting;
- (ii) a circular regarding the grant has been despatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including but not limited to the identity of the Eligible Person, the number and terms of the options to be granted and options previously granted to such Eligible Person); and
- (iii) the number and terms (including the subscription price) of such option are fixed before our Shareholders’ approval is sought.

*(e) Grant of options to connected persons*

- (i) Any grant of options to any Director, chief executive, or substantial Shareholder (excluding the proposed director or chief executive) of our Company or any of their respective associates shall be approved by all the independent non-executive Directors (excluding any independent non-executive Director who is any offeree of an option) and shall comply with the relevant provisions of Chapter 17 of the Listing Rules.

- (ii) Where an option is to be granted to a substantial Shareholder or an independent non-executive Director (or any of their respective associates), and such grant will result in the total number of 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 under the Share Option Scheme and any other share option schemes of our Company in the 12-month period up to and including the date of such grant: (1) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the total number of Shares in issue at the relevant time of grant; and (2) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of each grant, in excess of HK\$5 million (or such other amount as may from time to time be specified by the Stock Exchange), such grant shall not be valid unless: (aa) a circular containing the details of the grant has been despatched to the 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, a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a grantee of an option) to the independent Shareholders as to voting); and (bb) the grant has been approved by the independent Shareholders in general meeting (taken on a poll), at which the proposed grantee, his associates and all core connected persons of our Company shall abstain from voting in favour of the grant.
- (iii) Where any change is to be made to the terms of any option granted to a substantial Shareholder or an independent non-executive Director (or any of their respective associates), such change shall not be valid unless the change has been approved by the Shareholders in general meeting as required under sub-paragraph above.

*(f) Time of acceptance and exercise of an option*

An offer of grant of an option may be accepted by an Eligible Person in writing within the date as specified in the offer letter issued by our Company, being a date not later than 21 days inclusive of, and from, the date upon which it is made, by which the Eligible Person must accept the offer or be deemed to have declined it, provided that such date of acceptance shall not be more than ten years after the date of adoption of the Share Option Scheme or after the termination of the Share Option Scheme, and no such offer may be accepted by a person who ceases to be an Eligible Person after the offer has been made.

An offer shall be deemed to have been accepted on the date when the duly signed duplicate comprising acceptance of the offer by the Eligible Person, together with a payment in favour of our Company of HK\$1.0 per option by way of consideration for the grant thereof is delivered to our Company. Such consideration shall in no circumstances be refundable. Subject to the rules of the Share Option Scheme, option may be exercised in whole or in part by the grantee 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 years commencing on the date of the offer letter and expiring on the last day of such ten-year period.

**(g) Performance targets**

There is no performance target that has to be achieved or minimum period in which an option must be held before the exercise of any option save as otherwise imposed by our Board in the relevant offer of options.

**(h) Subscription price for Shares**

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by our Board, and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date (the "**Offer Date**"), which must be a trading day, on which our Board passes a resolution approving the making of an offer of grant of an option to an Eligible Person; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date, multiplied by the relevant number of Shares in respect of which such option is exercised; and the nominal value of a Share on the Offer Date.

Where an option is to be granted, the date of our Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option. For the purpose of calculating the subscription price, where an option is to be granted less than five trading days after the listing of the Shares on the Stock Exchange, the new issue price shall be taken to be the closing price for any Business Day within the period before listing.

**(i) Ranking of Shares**

The Shares to be allotted and issued pursuant to the exercise of an option shall be subject to our Company's constitutional documents for the time being in force and shall rank *pari passu* in all respects with the Shares in issue of our Company as at the date of allotment and will entitle the holders to participate in all dividends or other distributions declared or recommended or resolved to be paid or made in respect of a record date falling on or after the date of allotment.

*(j) Restrictions on the time of grant of options*

No offer of an option shall be made and option shall be granted to any Eligible Person after a price sensitive event has occurred or a price sensitive matter has come to the knowledge of the Board 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 (i) 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 result for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half-year or 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.

*(k) Period of the Share Option Scheme*

Subject to earlier termination by our Company in general meeting or variation or amendment by our Board, the Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme, after which period no further option shall be granted. All options granted and accepted and remaining unexercised immediately prior to expiry of the Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

*(l) Rights on cessation of employment*

Where the grantee of an outstanding option ceases to be an Eligible Person for any reason other than his serious illness, death, retirement in accordance with his contract of employment or service or the termination of his contract of employment or service on one or more of the grounds specified in paragraph (m) below, the grantee may exercise his outstanding options within three months following the date of such cessation, and any such options not exercised shall lapse and determine at the end of the said period of three months.

*(m) Rights on dismissal*

If the grantee of an option is an Eligible Person and ceases to be an Eligible Person by reason of a termination of his contract of employment or service on any one or more grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, his option (to the extent not already exercised) will lapse automatically and not be exercisable on the date of cessation of being an Eligible Person.

***(n) Rights on death***

Where the grantee of an outstanding option dies before exercising the option in full or at all, the option may be exercised in full or in part (to the extent not already exercised) by his personal representative(s) within 12 months from the date of death or such period extended by the Board.

***(o) Rights on a general offer***

If a general or partial offer is made to all our Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), our Directors shall as soon as practicable notify the option holder accordingly. An option holder shall be entitled to exercise his outstanding options in whole or in part within 14 days of receipt of such notice. To the extent that any option has not been so exercised, it shall upon the expiry of such period lapse and determine.

***(p) Rights on winding-up***

If notice is given of a general meeting of our Company at which a resolution will be proposed for the voluntary winding-up of our Company, our Company shall forthwith give notice thereof to all option holders and each option holder shall be entitled, at any time not later than two Business Days prior to the proposed general meeting of our Company to exercise his outstanding options in whole or in part. Our Company shall as soon as possible and in any event no later than one Business Day prior to the date of such general meeting, allot and issue such number of Shares to the option holders which fall to be issued on such exercise. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up.

***(q) Rights on compromise or arrangement between our Company and its creditors***

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all option holders on the same date as it gives notice of the meeting to our Shareholders and our Company's creditors, and thereupon each option holder shall be entitled, at any time not later than two Business Days prior to the proposed meeting of our Company, to exercise his outstanding options in whole or in part. Our Company shall as soon as possible and in any event no later than one Business Day prior to the date of such general meeting, allot and issue such number of Shares to the option holders which fall to be issued on such exercise. Subject thereto, all Options then outstanding shall lapse and determine upon such compromise or arrangement becoming effective.



*(r) Reorganisation of capital structure*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation issue, rights issue, subdivision or consolidation of shares 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 Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplemental guidance issued by the Stock Exchange on 5 September 2005) to:

- (i) the number or nominal amount of Shares comprised in each Option for the time being outstanding; and/or
- (ii) the subscription price; and/or
- (iii) the Scheme Limit; and/or
- (iv) the Participant Limit;

as the auditors or the independent financial adviser to our Company shall certify in writing to the Board to be in their opinion fair and reasonable, provided that:

- (a) the aggregate Subscription Price payable by an option holder on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such adjustment;
- (b) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (c) no adjustment will be required in circumstances when there is an issue of Shares as consideration in a transaction; and
- (d) any adjustment shall be made in accordance with the provisions of Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes).

In addition, in respect of any such adjustments, other than any made on a capitalisation issue, the auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

*(s) Cancellation of options*

Our Board may cancel an option granted but not exercised with the approval of the option holder. No compensation shall be payable to the option holder for cancellation of the options granted but not exercised. Any such options cancelled by our Company cannot be re-granted to the same Eligible Person; the issue of new options must be made under the Share Option Scheme with available unissued options (excluding the cancelled options) within the Scheme Limit.

*(t) 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 before the expiry of the Scheme Period and in such event no further option will be offered but in all other respects the provision of the Share Option Scheme shall remain in full force and effect. All options granted and accepted and remaining unexpired immediately prior to such termination shall continue to be valid and exercisable in accordance with their terms and the terms of the Share Option Scheme.

*(u) Rights are personal to grantee*

An option shall be personal to the grantee and shall not be assignable or 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. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or part thereof granted to such grantee.

*(v) Lapse of option*

The right to exercise an option (to the extent not already exercised) shall lapse immediately upon the earliest of:

- (i) the expiry of the option period to be determined and notified by our Board to the grantee;
- (ii) the expiry of the periods as referred to in sub-paragraphs (l), (n), (o), (p) and (q) respectively;
- (iii) subject to sub-paragraph (p), the date of the commencement of the winding-up of our Company;

- (iv) the date on which the grantee ceases to be an Eligible Person by reason of the termination of his contract of employment or service on any one or more grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally or has been convicted of any criminal offence involving his integrity or honesty; and
- (v) the date on which the Directors cancel any outstanding option or part thereof on the ground the grantee commits a breach of the Share Option Scheme.

***(w) Alterations to the Share Option Scheme***

- (i) 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 first be approved by a resolution of the Shareholders in general meeting and shall not be altered to the advantage of participants:
  - (A) the purpose of the Share Option Scheme;
  - (B) the definitions of “Eligible Person”, “Option Period” and “Scheme Period”;
  - (C) the Scheme Limit;
  - (D) the Participant Limit;
  - (E) the period within which the offer of grant of an option must be accepted;
  - (F) the minimum period for which an option must be held before it can be exercised;
  - (G) the statement as to performance targets that must be achieved before an option may be exercised;
  - (H) the amount payable on acceptance of an option and the period within which it must be paid for such purpose;
  - (I) the basis of determination of the subscription price;
  - (J) the rights to be attached to the Shares to be issued upon the exercise of options;
  - (K) the maximum life of the Share Option Scheme;
  - (L) the circumstances under which options will automatically lapse;

- (M) the adjustment made in the event of any alterations of the capital structure of our Company;
- (N) the cancellation of options granted but not exercised;
- (O) the effect on existing options of an early termination of the Share Option Scheme;
- (P) the transferability of options;
- (Q) this paragraph (w);
- (R) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted to the advantage of such option holders shall be approved by Shareholders in general meeting, except where the alterations take effect automatically under existing terms of the Share Option Scheme; and
- (S) any change to the authority of the Directors in relation to any alterations to the terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the options shall comply with Chapter 17 of the Listing Rules.

- (ii) Notwithstanding the other provisions of the Share Option Scheme, the Share Option Scheme may be altered in any respect by resolution of our Board without the approval of the Shareholders or the grantee(s) to the extent such amendment or alteration is required by the Listing Rules or any guideline issued by the Stock Exchange from time to time.
- (iii) 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.

**(x) *Conditions***

The Share Option Scheme is conditional upon:

- (i) the passing of the necessary resolutions to approve and adopt the Share Option Scheme;
- (ii) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and any Shares which may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme; and

(iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions referred to above are not satisfied on or before the date falling 30 days after the date of this prospectus, the Share Option Scheme shall forthwith terminate and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

(y) *Present status of the Share Option Scheme*

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Scheme and any other share option scheme(s) of our Company shall not exceed 64,000,000 Shares, being 10.0% of the total number of Shares in issue as at the Listing Date unless our Company obtains the approval of the Shareholders in general meeting for refreshing the said 10.0% 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 the 10.0% limit above mentioned.

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

## OTHER INFORMATION

### 15. Tax and other indemnities

Our Controlling Shareholders (the “**Indemnifiers**”) have, pursuant to the Deed of Indemnity referred to in the paragraph headed “7. Summary of material contracts” in this appendix, given indemnity in favour of our Group from and against, among other things, any tax liabilities which might be payable by any member of our Group (“**Group Member(s)**”) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received before the Listing Date, save:

- (a) to the extent that full provision or allowance has been made for such taxation in the audited consolidated financial statements of our Group as set out in Appendix I to this prospectus;
- (b) to the extent that such taxation claim arises or is incurred as a result of any retrospective change in law or regulations or practice by the Hong Kong Inland Revenue Department or any other tax or government authorities in any part of the world coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect;

- (c) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any Group Member which is carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the date on which the conditions stated in the paragraph headed “Conditions of the Global Offering” under the section headed “Structure and conditions of the Global Offering” of this prospectus being fulfilled on or before the date as stated therein (the “**Effective Date**”);
- (d) to the extent that such taxation or liability is/are discharged by another person who is not a Group Member and that none of our Company and Group Members is required to reimburse such person in respect of the discharge of such taxation or liability;
- (e) to the extent that such taxation or liability would not have arisen but for any act or omission by any Group Member (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business after the date of execution of the Deed of Indemnity or carried out, made or entered into pursuant to a legally binding commitment created before the Effective Date; and
- (f) to the extent of any provisions or reserve made for taxation in the audited accounts of our Group up to 31 December 2018 and the four months ended 30 April 2019 which is finally established to be an over-provision or an excessive reserve as set out in Appendix I to this prospectus.

Further, pursuant to the Deed of Indemnity, the Indemnifiers have given an indemnity in respect of, among other matters, any liability for Hong Kong estate duty, if any, which might be incurred by any of Group Member by reason of any transfer of property to any of the members of our Group on or before the Listing Date. Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands and Hong Kong.

In addition, pursuant to the Deed of Indemnity, the Indemnifiers have agreed and undertaken to jointly and severally indemnify the members of our Group and each of them and at all times keep the same indemnified on demand from and against all claims, damages, losses, costs, expenses, fines, actions and proceedings whatsoever and howsoever arising at any time whether present or in the future as a result of or in connection with:

- (a) the Reorganisation undergone by the Group Members;
- (b) any alleged or actual violation or non-compliance by any of our Group Members with any laws, regulations or administrative orders or measures in Hong Kong, the PRC, the Cayman Islands and any other places where we carry on our business on or before the Effective Date;

- (c) any and all expenses, payments, sums, outgoing, fees, demands, claims, actions, proceedings, judgments, damages, losses, costs (including but not limited to, legal and other professional costs), charges, contributions, liabilities, fines, penalties which any Group Members may incur, suffer or accrue, directly or indirectly from or on the basis of or in connection with any failure, delay or defects of corporate or regulatory compliance under, or any breach of any provision of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) or any other applicable laws, rules and regulations by any Group Members on or before the Effective Date (in the case of our Group Members);
- (d) any irregularities in relation to any corporate documents of any of our Group Members;
- (e) all direct losses and damages that we may suffer as a result of the breach of non-compliance incidents as disclosed in this prospectus; and
- (f) all proceedings or actions commenced by past or present shareholders or directors of the Group Members (whether commenced before or after the Deed of Indemnity) in respect of (i) such Group Members breaches of Companies Act, or (ii) any and all other breaches or irregularities in respect of any of the Group Members.

Our Directors have been advised that no material liability for estate duty would be likely to fall upon our Company or any of its subsidiaries in Hong Kong and PRC.

## **16. Litigation**

Save as disclosed in the paragraph headed “XIX. Litigation” under the section headed “Business” of this prospectus, during the Track Record Period and up to the Latest Practicable Date, neither our Company nor any of its subsidiaries is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against our Company or any of its subsidiaries that would have a material adverse effect on the results of operations or financial conditions of our Group.

## **17. Sponsor**

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The Sponsor’s fee in relation to the Listing is approximately HK\$5.0 million.

The Sponsor has made an application on our Company's behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option and any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made for the Shares to be admitted into

**18. Compliance adviser**

In accordance with the requirements of the Listing Rules, our Company has appointed Altus as its compliance adviser to provide consultancy services to our Company to ensure compliance with Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with the Listing Rules in respect of its financial results for the first full financial commencing after the Listing Date.

**19. Preliminary expenses**

The preliminary expenses relating to the incorporation of our Company are approximately HK\$44,000 and are payable by our Company.

**20. Promoter**

Our Company does not have any promoter (as defined in the Listing Rules). Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.



**21. Qualifications and consents of experts**

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in, or referred to in, this prospectus are as follows:

<b>Name</b>	<b>Qualification</b>
Altus Capital Limited	A licensed corporation to carry on, Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management), regulated activities as defined under the SFO
Conyers Dill & Pearman	Legal adviser to our Company as to Cayman Islands law
Deloitte Touche Tohmatsu	Certified public accountants in Hong Kong
ETR Law Firm	Legal adviser to our Company as to PRC law
Ng Kwok Cheung, Bernard	Certified public accountant in Hong Kong
Stefano Mariani, Deacons	Solicitor in Hong Kong and employed barrister-at-law, England and Wales
Frost & Sullivan International Limited	Independent industry consultant
SHINEWING Risk Services Limited	Internal control consultant
Withers	Legal adviser to our Company as to Hong Kong law
Withers Bergman LLP	Legal adviser to our Company as to United States law
Withers LLP	Legal adviser to our Company as to European law

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

**22. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding-Up and Miscellaneous Provision) Ordinance so far as applicable.

**23. Taxation of holders of Shares****(a) Hong Kong***(i) Profits*

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

*(ii) Stamp duty*

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5.0 is currently payable on any instrument of transfer of shares.

*(iii) Estate duty*

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006.

**(b) The Cayman Islands**

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.

(c) *Consultation with professional advisers*

Intended holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

#### 24. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out below:

Name:	Fung Trinity Holdings Limited
Place of incorporation:	BVI
Date of incorporation:	9 January 2006
Registered office:	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands
Numbers of the Sale Shares to be sold:	12,800,000

The Selling Shareholder is an investment holding company and is wholly-owned by Fung Capital Asia Fund (I) Limited. The entire voting rights of Fung Capital Asia Fund (I) Limited is owned by Fung Capital Limited. Fung Capital Limited is in turn wholly-owned by Fung Investments Limited, which is wholly-owned by King Lun Holdings Limited, which is legally owned as to 50.0% and 50.0% by Dr. William Fung Kwok Lun and HSBC Trustee (CI) Limited respectively, being the trustee of a family trust established for the family of Dr. Victor Fung Kwok King.

#### 25. Miscellaneous

- (a) Save as disclosed in this prospectus, within two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or of any of its 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 (other than under the Underwriting Agreements) 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 its subsidiaries;
  - (iii) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of its subsidiaries;
  - (iv) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (b) Saved as disclosed in this prospectus, no founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (c) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 April 2019 (being the date to which the latest audited combined financial statements of our Group were made up);
- (d) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus.
- (e) None of the equity and debt securities of the companies comprising our Group is presently listed or dealt with on any other stock exchange or traded on any trading system;
- (f) None of our Directors nor any of the persons whose names are listed in paragraph headed “21. Qualification and consents of experts” under this section has received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group;
- (g) there has not been any interruption in the business of our Company which may have or has had material adverse effect on the financial position of our Group;
- (h) Subject to the provisions of the Companies Law, the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by, our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands;

- (i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS;
- (j) There is no arrangement under which future dividends have been waived; and
- (k) No company within our Group is presently listed on any stock exchange or traded on any trading system.

**26. 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 Chinese language version of this prospectus, the English language version shall prevail.

**27. No adverse material change**

Save as disclosed in this prospectus, our Directors confirmed that there has been no material adverse change in our Group's financial or trading position since 30 April 2019 (being the date on which the latest audited combined financial information of our Group was prepared up to the date of this prospectus).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (1) a copy of each of the **WHITE, YELLOW and GREEN** Application Forms;
- (2) the written consents referred to in the paragraph headed “21. Qualifications and consents of experts” under the section headed “Statutory and general information” in Appendix IV to this prospectus;
- (3) a copy of each of the material contracts referred to in the paragraph headed “7. Summary of material contracts” under the section headed “Statutory and general information” in Appendix IV to this prospectus; and
- (4) statement of particulars of the Selling Shareholder.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Withers at 20/F, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Accountants’ Report of our Group for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2018 and the four months ended 30 April 2019;
- (d) the report on the unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (e) the rules of the Share Option Scheme;
- (f) the letter of advice prepared by Conyers summarising certain aspects of Cayman Islands Company Law referred to in Appendix III to this prospectus;
- (g) the Cayman Companies Law;

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**APPENDIX V            DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
IN HONG KONG AND AVAILABLE FOR INSPECTION**

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- (h) the legal opinion issued by Withers, the legal adviser to our Company as to Hong Kong law, in respect of certain aspects of Hong Kong law;
- (i) the legal opinions issued by ETR Law Firm, the legal adviser to our Company as to PRC law, in respect of certain aspects of PRC law and the property interests of our Group;
- (j) the expert opinion issued by Stefano Mariani of Deacons, the Special Tax Counsel to the Sponsor, in respect of certain taxation matters in Hong Kong applicable to our Group;
- (k) the letter issued by Ng Kwok Cheung, Bernard, the Tax Representative, in respect of certain taxation matters in Hong Kong applicable to our Group;
- (l) the internal control review report issued by SHINEWING Risk Services Limited, the internal control consultant to our Company;
- (m) the letter of advice prepared by Withers Bergman LLP, the legal adviser to our Company as to United States law, in respect of certain aspects of United States law;
- (n) the letter of advice prepared by Withers LLP, the legal adviser to our Company as to European Law, in respect of certain aspects of European law;
- (o) the material contracts referred to in the paragraph headed “7. Summary of material contracts” under the section headed “Statutory and general information” in Appendix IV to this prospectus;
- (p) the service contracts and letters of appointment referred to in the paragraph headed “9. Particulars of Directors’ service contracts and letters of appointment” under the section headed “Statutory and general information” in Appendix IV to this prospectus;
- (q) the written consents referred to in the section headed “21. Qualifications and consents of experts” under the section headed “Statutory and general information” in Appendix IV to this prospectus;
- (r) the industry report issued by Frost & Sullivan International Limited, the independent industry consultant to our Company; and
- (s) statement of particulars of the Selling Shareholder.

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