

ODELLA LEATHER HOLDINGS LIMITED 愛特麗皮革控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8093

Sole Sponsor



Halcyon Capital Limited

Joint Bookrunners and Joint Lead Managers



Joint Lead Managers



PLACING

IMPORTANT

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

ODELLA LEATHER HOLDINGS LIMITED

愛特麗皮革控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares : 100,000,000 Placing Shares
Placing Price : Not more than HK\$0.60 per Placing Share and
expected to be not less than HK\$0.55 per
Placing Share (payable in full in Hong Kong
dollars on application, subject to refund, plus
brokerage of 1%, SFC transaction levy of
0.0027% and Stock Exchange trading fee of
0.005%)
Nominal value : HK\$0.01 per Share
Stock code : 8093

Sole Sponsor



Halcyon Capital Limited

Joint Bookrunners and Joint Lead Managers


Halcyon Securities Limited


Ping An Securities Limited

 太平基業證券有限公司
Pacific Foundation Securities Limited

Joint Lead Managers


ASTRUM
Astrum Capital Management Limited
阿仕特朗資本管理有限公司

 財華證券有限公司
Finet Securities Limited

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

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

The Placing Price is expected to be fixed by the Price Determination Agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or before Friday, 6 February 2015 at or before 5:00 p.m., or such later date or time as may be agreed by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company. The Placing Price will not be more than HK\$0.60 per Placing Share and is expected to be not less than HK\$0.55 per Placing Share. If our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price by that date or time or such later date or time as agreed by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Placing will not become unconditional and will not proceed.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed “Risk factors” of this prospectus. Prospective investors of the Placing Shares should note that the Joint Bookrunners (for themselves and on behalf of the Underwriters) are entitled to terminate their obligations under the Underwriting Agreement by notice in writing to us (for ourselves and on behalf of the executive Directors and our Controlling Shareholders), upon the occurrence of any of the events set forth in the paragraph headed “Underwriting — Underwriting arrangements — Grounds for termination” of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, but without limitation to, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, terrorism, strike or lock-out.

5 February 2015

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

(Note 1)

Price Determination Date (Note 2) At or before 5:00 p.m. on
Friday, 6 February 2015

Announcement of the determination of the Placing Price, the level of
indication of interest in the Placing to be published on the website
of the Stock Exchange at www.hkexnews.hk (Note 3) and
our Company's website at www.odella.com (Note 3)
on or before Wednesday, 11 February 2015

Allotment of the Placing Shares on or before Wednesday, 11 February 2015

Deposit of share certificates into CCASS
on or before (Note 4 & 5) Wednesday, 11 February 2015

Dealings in Shares on GEM to commence
at 9:00 a.m. (Note 5) on Thursday, 12 February 2015

Notes:

1. All times and dates refer to Hong Kong local times and dates. Details of the structure of the Placing, including its conditions, are set out in the section headed "Structure and conditions of the Placing" of this prospectus. If there is any change in the above expected timetable, an announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.odella.com.
2. The Price Determination Date is expected to be on or about Friday, 6 February 2015 (or such later date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters). If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Placing Price on the Price Determination Date, the Placing will not become unconditional and will lapse immediately.
3. None of the websites or any information contained therein form part of this prospectus.
4. The Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or before Wednesday, 11 February 2015 for credit to the relevant CCASS Participants' or the CCASS Investor Participants' stock accounts designated by the Underwriters, the placees or their agents (as the case may be). No temporary documents or evidence of title will be issued.
5. All Share certificates will only become valid certificates of title of the Shares to which they relate provided that the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms at or before 8:00 a.m. (Hong Kong time) on the Listing Date.

For details of the structure of the Placing, including conditions thereof, please refer to the section headed "Structure and conditions of the Placing" of this prospectus. If the Placing does not become unconditional or the Underwriting Agreement is terminated in accordance with its terms we will make announcement as soon as possible.

CONTENTS

You should rely only on the information contained in this prospectus to make your investment decision.

This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus. 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.

Our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other party involved in the Placing.

The contents on the website at www.odella.com which is the official website of our Company do not form part of this prospectus.

	<i>Page</i>
Characteristics of GEM	i
Expected Timetable	ii
Contents	iii
Summary	1
Definitions	17
Forward-looking Statements	28
Risk Factors	30
Information about this Prospectus and the Placing	48
Directors and Parties Involved in the Placing	52

CONTENTS

	<i>Page</i>
Corporate Information	55
Regulations	57
Industry Overview	71
History, Development and Reorganisation	88
Business	98
Relationship with Controlling Shareholders	163
Directors, Senior Management and Staff	170
Substantial Shareholders	186
Share Capital	189
Financial Information	193
Future Plans and Use of Proceeds	239
Underwriting	247
Structure and Conditions of the Placing	255
Appendix I — Accountants' Report	I-1
Appendix II — Unaudited Pro Forma Financial Information	II-1
Appendix III — Loss Estimate	III-1
Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law	IV-1
Appendix V — Statutory and General Information	V-1
Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection	VI-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, including our financial statements and the accompanying notes, before you decide to invest in the Placing Shares.

There are risks associated with any investment. Some of the particular risks of investing in the Placing Shares are set forth in the section headed “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Placing Shares. Various expressions used in this summary are defined in the section headed “Definitions” in this prospectus.

MATERIAL ADVERSE CHANGE

Our Directors confirm that the impact of the listing expenses on our combined statement of profit or loss as disclosed in the paragraph headed “Listing expenses” below in this section has primarily led to a material adverse change in the financial or trading position or prospects of our Group since 30 September 2014, being the date of which our Group’s latest audited combined financial statements were made up as set out in the Accountants’ Report in Appendix I to this prospectus, and up to the date of this prospectus.

It is preliminarily reviewed and estimated by our Board that there will be a substantial reduction in the profit of our Group and our Group will make a loss of no more than HK\$5 million for the six months ended 31 December 2014 and may be in a loss position for the nine months ending 31 March 2015 and the year ending 30 June 2015 as a result of the Listing expenses, which are one-off non-recurring expenses and currently estimated (in respect of the position to be accounted for in our combined statement of profit or loss) to be approximately HK\$13.7 million for the six months ended 31 December 2014 and the remaining balance of approximately HK\$4.1 million will be recorded as expense upon Listing. Our Group’s profit/loss position will also be affected, to a lesser extent, by the expected increase in (i) administrative expenses such as increase in Directors’ remuneration of approximately HK\$0.2 million for the year ending 30 June 2015 and (ii) other expenses relating to the expansion of marketing department, design team and sourcing team, which are expected to be approximately HK\$1.9 million in aggregate for the year ending 30 June 2015, based on our expansion plans set out in the section headed “Future plans and use of proceeds” on pages 239 to 246 of this prospectus. Such listing expenses are current estimates for reference only and the final amount to be charged to the profit and loss account of our Group for the six months ended 31 December 2014, the nine months ending 31 March 2015 and the year ending 30 June 2015 is subject to change. In respect of our financial results for the six months ended 31 December 2014, we anticipate that we will be in a loss position. Please refer to Appendix III to this prospectus for the loss estimate for the six months ended 31 December 2014. Save as disclosed above, the Directors are not aware of any material adverse changes in the financial or trading position or business prospects of our Group since 30 September 2014, being the date of which our Group’s latest audited combined financial statements were made up as set out in the Accountants’ Report in Appendix I to this prospectus, and up to the date of this prospectus.

SUMMARY

OUR BUSINESS

We specialise in the manufacture and sale of private label leather garments for our customers on original equipment manufacturer basis. During the Track Record Period, our major customers are mostly fashion brands. Based on the manufacturing price range of leather garments set out in the Industry Report, our products mainly fall under the high-end and middle-end categories of leather garments. We have an operation history of more than 20 years in the leather garment industry, and we pride ourselves on our possession of in-depth knowledge in the production process of leather garment products. Headquartered in Hong Kong, we operate only one leased manufacturing base (namely, the Foshan Factory), which is located in Foshan, Guangdong Province, the PRC.

We strategically focus on:

- customers who include international and regional fashion brands, most of whom offer a broad spectrum of apparel and accessories under their own brands, and leather apparel forms only a minor portion of their product portfolio;
- offering our customers not only with our manufacturing services to produce leather apparel products, but also a range of ancillary pre-production product development services and post-production logistical services; and
- providing flexibility in the production scale for each purchase order by our customers, aiming to cater for their business needs and requirements in each case.

BUSINESS MODEL

In offering our manufacturing services, we often also provide to certain of our customers pre-production product development services and post-production logistical services depending on the needs and requirements for individual orders.

Manufacturing services

We produce leather garments, which include jackets, coats, pants, skirts, tops and vests, and for both women's and men's apparels, for our customers according to the specifications prescribed by them. We charge our customers based on the number of units per purchase order.

Pre-production product development services

We participate at the early stage of certain of our customers' pre-production product development and often offer such customers various pre-production product development services, including but not limited to sharing with our customers market intelligence on leather fashion trend and production knowhow, providing recommendations to our customers on raw material selection, giving suggestions to assist our customers in finetuning or adjusting their original designs, producing and revising mock-up products for our customers' consideration, sourcing leather and other raw materials selected by our customers in producing their products and producing sample products in accordance with the customers' requirements and designs before they decide on placing purchase orders with us.

SUMMARY

Post-production logistical services

We also offer post-production logistical services such as packaging and delivery services. All finished products will be packed carefully in accordance with our customers' specifications and requirements. Products produced at the Foshan Factory are usually delivered to Hong Kong before they are shipped or transferred to the designated locations of our customers.

Pricing policy

We adopt a cost-plus pricing model. When determining the appropriate mark-up, we take into account the customer's acceptable range of product price based on our past dealings with the customer and a number of other factors such as the cost of raw materials and the size of the order. Our gross profit margin during the Track Record Period amounted to approximately 35.3%, 34.0% and 44.5% for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014, respectively.

Our Directors believe that our ability to record relatively high gross profit margins during the Track Record Period is attributable to a number of reasons. In terms of customer base, our target customers include international and regional fashion brands. Our Directors believe that we have earned our reputation and compete favourably with our competitors as we possess skilled and experienced workers, especially sewing workers and cutter workers who can produce products which conform to our customers' stringent product design specifications and aesthetic requirements. Unlike other manufacturers who purely produce garments on original equipment manufacturer basis, we also offer a range of ancillary pre-production product development services to certain of our international and regional fashion brand customers at the early stage of their pre-production product development. In addition, two of our Directors, namely Ms. Grace Lam and Mr. Ramond Ching, have indepth knowledge in leather and extensive experience in the leather garment manufacturing industry. They contribute to providing pre-production product development services to some of our customers and we believe that their experience in sourcing, manufacturing or marketing in the leather garment manufacturing industry was highly valued by our customers. We have also been maintaining good business relationships with our customers and suppliers. We believe that these international and regional fashion brands customers highly appreciate our craftsmanship, dedication in the value-added pre-production product development services and experience in the leather garment manufacturing industry and they are willing to pay higher prices for our products. Furthermore, we can effectively manage our risk as to fluctuations in the raw material price and are generally able to pass on any increases in the cost of raw materials to our customers. Thus, any increases in the cost of raw materials would not have material effect on our gross profit margin. Please refer to the paragraph headed "Business — Raw materials — Fluctuations in cost of raw materials" for further information.

SUMMARY

Set out below is the breakdown of our gross profit by our products during the Track Record Period:

	For the year ended 30 June				For the three months ended 30 September			
	2013		2014		2013		2014	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	Approximate %	HK\$'000	Approximate %	HK\$'000 (Unaudited)	Approximate %	HK\$'000	Approximate %
Women								
— Jacket and coat	7,339	36.3	9,252	33.6	2,309	33.5	3,475	44.0
— Pants	961	22.4	1,828	25.2	563	23.4	61	33.6
— Skirt	880	28.9	2,094	32.4	413	32.1	415	46.9
— Top and vest	513	38.4	2,010	38.2	61	24.6	331	50.5
— Others (Note)	654	36.3	2,337	47.4	1,398	42.9	212	33.5
	10,347	33.7	17,521	34.2	4,744	24.6	4,494	43.9
Men								
— Jacket and coat	6,673	37.8	8,455	34.6	3,409	32.4	5,182	45.5
— Others (Note)	1,391	42.2	769	33.9	399	33.5	176	31.4
	8,064	38.5	9,224	34.5	3,808	32.5	5,358	44.8
Subtotal of leather garment products	18,411	35.7	26,745	34.2	8,552	33.1	9,852	44.4
Other leather and accessories	496	25.2	624	25.5	—	—	52	81.2
Total	<u>18,907</u>	<u>35.3</u>	<u>27,369</u>	<u>34.0</u>	<u>8,552</u>	<u>33.1</u>	<u>9,904</u>	<u>44.5</u>

Note: During the Track Record Period, other products for women included dress and shorts, and other products for men included pants, blazer and vest.

Geographical coverage of the sale of our products

During the Track Record Period, the United States, Hong Kong and Australia were our major markets with reference to the destination of our product delivery as stipulated in our customers' purchase orders, which in aggregate accounted for over 75% of our revenue during the Track Record Period. Nevertheless, depending on our customers' sales network and needs, our products may be further forwarded to other countries by our customers.

SUMMARY

The following table illustrates the breakdown of our revenue during the Track Record Period (with reference to the destination of our product delivery as stipulated in our customers' purchase orders):

	For the year ended 30 June				For the three months ended 30 September			
	2013		2014		2013		2014	
	Revenue HK\$'000	Percentage of total %	Revenue HK\$'000	Percentage of total %	Revenue HK\$'000 (Unaudited)	Percentage of total %	Revenue HK\$'000	Percentage of total %
United States	17,282	32.2	36,670	45.5	13,651	52.9	10,755	48.4
Hong Kong	15,378	28.7	13,424	16.7	3,118	12.1	4,010	18.0
Australia	14,333	26.7	14,713	18.2	1,203	4.7	2,064	9.3
Japan	1,213	2.3	2,627	3.3	1,764	6.8	1,967	8.8
Malaysia	2,224	4.2	4,420	5.5	3,344	13.0	1,246	5.6
South Africa	—	—	466	0.6	—	—	821	3.7
Netherlands	2,204	4.1	6,477	8.0	1,840	7.1	776	3.5
Others (Note)	973	1.8	1,789	2.2	884	3.4	605	2.7
Total	53,607	100.0	80,586	100.0	25,804	100.0	22,244	100

Note: During the Track Record Period, other countries included the PRC, Canada, Switzerland, United Kingdom, Italy, South Korea, Mexico, Germany, Singapore, New Zealand and Cambodia.

Our products are mainly sold by Perline, our wholly-owned subsidiary, to customers outside China. Apart from effecting sales through Perline, during the Track Record Period, our PRC wholly-owned subsidiary, Foshan Shengli also sold products directly to customers within China. The direct sales from Foshan Shengli to customers within China represented an insignificant portion of our total sales during the Track Record Period. Please refer to the paragraph headed “Business — Sales and marketing” on pages 114 to 116 in this prospectus for further details.

We conduct business with our customers both directly and through their representatives or sourcing agents. Our business model does not involve any distributorship, franchising or consignment.

OUR CUSTOMERS

We have a diverse customer base. We have approximately 50 customers who placed orders with us during the Track Record Period. These customers include international and well-known fashion brand owners based in the United States and Australia, their representatives or sourcing agents in Asia, and other apparel brand owners. In line with customary industry practice, our customers do not enter into long term contracts with us. Nevertheless, we have been maintaining business relationship with our major customers who are our top five customers in terms of revenue during the Track Record Period ranging from 1 year to over 10 years. Notwithstanding that we have maintained established business relationship with our customers, their level of demand for our leather garment products may fluctuate significantly from period to period. As such, the purchase orders we receive from our customers may be volatile and fluctuate considerably from time to time.

SUMMARY

Our sales to our top five customers for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014 amounted to approximately HK\$29,446,000, HK\$52,610,000 and HK\$14,427,000 respectively, which contributed approximately 54.9%, 65.3% and 64.9% of our total turnover for the respective periods. Our sales to our largest customer for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014 amounted to approximately HK\$9,791,000, HK\$18,267,000 and HK\$6,022,000 respectively, which accounted approximately 18.3%, 22.7% and 27.1% of our total turnover for the respective periods.

OUR SUPPLIERS

We place great emphasis on the quality of leather as leather is the most important component of our garment products. Depending on our customers' preferences and specifications, the types of animal hides and skins used for our leather products are mainly those from lambs, goats, sheep, cows and pigs. We maintain an extensive list of leather suppliers located in different parts of the world including Pakistan, China, France, Turkey, India and Italy, which enable us to source various sorts of leather and produce leather garments that conform to different needs of our customers. Other materials like textiles and fabrics may be blended with our leather garments. These materials are usually sourced in Hong Kong.

We do not enter into long term contracts with our suppliers. We select our suppliers based on criteria like quality, pricing, availability of products and reliability of the supplier. Nevertheless, we maintain close relationship with our suppliers. Purchases from our five largest suppliers of leather amounted to approximately HK\$20,198,000, HK\$18,938,000 and HK\$3,845,000 for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014 respectively, which accounted for about 56.6%, 43.9% and 65.9% of our total purchase of raw materials for the respective periods. Purchases from our largest supplier of leather amounted to approximately HK\$7,905,000, HK\$5,777,000 and HK\$1,895,000 for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014 respectively, which accounted for about 22.1%, 13.4% and 32.5% of our total purchase of raw materials for the respective periods.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths allow us to achieve sustainable growth:

- we are able to serve international and well-known customers;
- we are able to offer a range of product development supports to our customers and provide flexibility in the production scale to meet our customers' business needs;
- we maintain close business relationships with a wide list of leather suppliers; and
- we possess an experienced management team and experienced production workforce.

Please refer to the paragraph headed "Business — Our competitive strengths" on pages 102 to 103 in this prospectus for further details.

SUMMARY

OUR BUSINESS STRATEGIES

With the aim of further developing our business and continuing our growth, we plan to pursue the following principal business strategies:

- strengthening our business development capability;
- enhancing our manufacturing facilities;
- further expansion of our Group's pre-production product development function; and
- expansion of our sourcing capability.

Please refer to the paragraph headed "Business — Our business strategies" on pages 103 to 105 in this prospectus for further details.

COMPETITIVE LANDSCAPE

According to the Industry Report, the leather garment industry is fragmented and highly competitive, and the Group's market share in the leather garment manufacturing industry in China constituted approximately 0.1% of the total industry revenue in 2013 and was ranked outside top 20 of the leather garment manufacturers in China in 2013. Our Directors are of the view that the business of leather garment manufacturing normally does not require substantial capital investments and advanced technology and, accordingly, has a relatively low entry barrier in terms of capital. However, our Directors believe that we have earned our reputation and compete favourably with our competitors as we can produce products which conform to our customers' stringent product design specifications and aesthetic requirements and we can also offer pre-production product development services and have high flexibility and strong reliability.

SHAREHOLDERS

Immediately after the Reorganisation and before the Placing and the Capitalisation Issue, our Company is owned (i) as to 68% by Quality Century Limited ("**BVI-Cheung**"), which is an investment holding company wholly and beneficially owned by Ms. Idy Cheung, our Controlling Shareholder; (ii) as to 17% by Design Vanguard Limited ("**BVI-Lam**"), which is an investment holding company wholly and beneficially owned by Ms. Grace Lam; and (iii) as to 15% by Olson Global Limited ("**BVI-Ching**"), which is an investment holding company wholly and beneficially owned by Mr. Ramond Ching.

Ms. Idy Cheung is the chairman of the Board, an executive Director and our Controlling Shareholder. Ms. Grace Lam is our chief executive officer and an executive Director. Ms. Grace Lam is also a cousin of Ms. Idy Cheung's spouse. Mr. Ramond Ching is an executive Director. For details of the background of Ms. Idy Cheung, Ms. Grace Lam and Mr. Ramond Ching, please refer to the paragraph headed "Directors, senior management and staff — Directors — Executive Directors" on pages 172 to 174 in this prospectus.

SUMMARY

KEY OPERATIONAL AND FINANCIAL DATA

The summary of the combined financial information of our Group for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014 set forth below is derived from the Accountants' Report set forth in Appendix I to this prospectus and should be read in conjunction with the Accountants' Report.

Highlight of Combined Statement of Profit or Loss

	Year ended 30 June		For the three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Revenue	53,607	80,586	25,804	22,244
Gross profit	18,907	27,369	8,552	9,904
Net profit for the year / period	7,128	12,896	4,410	1,322

Highlight of Combined Statement of Financial Position

	As at 30 June		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Total non-current assets	286	287	262
Total current assets	27,625	33,606	34,867
Total current liabilities	23,465	16,543	16,460
Net assets	4,446	17,350	18,669

Key financial ratios and data

	As at / For the year ended 30 June		As at / For the three months ended 30 September	
	2013	2014	2013	2014
Gross profit margin	35.3%	34.0%	33.1%	44.5%
Net profit margin	13.3%	16.0%	17.1%	5.9%
Current ratio (as at the respective year / period end) (times)	1.2	2.0	Not applicable	2.1
Return on equity	160.3%	74.3%	Not applicable	7.1%
Return on total assets	25.5%	38.1%	Not applicable	3.8%
Debt to equity ratio (as at the respective year / period end)	30%	Not applicable	Not applicable	Not applicable
Trade receivable turnover days	50.5	45.4	Not applicable	33.9
Trade payable turnover days	57.5	26.9	Not applicable	8.0
Inventory turnover days	76.1	65.1	Not applicable	44.0

SUMMARY

For further details of an analysis to some of our key financial ratios during the Track Record Period, please refer to the paragraph headed “Financial information — Key financial ratios” on pages 219 to 223 in this prospectus.

Key operating data

Sales volume

	Year ended 30 June		For the three months ended 30 September	
	2013	2014	2013	2014
	Units	Units	Units	Units
Sales volume of leather garment products	40,788	57,179	18,393	16,114

Average selling prices and price ranges

We set out below the average selling prices and price ranges of our leather garment product types during the Track Record Period.

	For the year ended 30 June				For the three months ended 30 September			
	2013		2014		2013		2014	
	Price range	Average selling price (Note 1)	Price range	Average selling price (Note 1)	Price range	Average selling price (Note 1)	Price range	Average selling price (Note 1)
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Women								
— Jacket and coat	449 to 11,416	1,323	436 to 6,144	1,450	436 to 3,408	1,577	489 to 4,487	1,131
— Pants	381 to 4,479	1,460	200 to 4,349	1,606	1,131 to 2,855	1,495	1,669 to 1,669	1,669
— Skirt	464 to 3,557	827	283 to 7,159	1,043	283 to 1,788	1,083	406 to 2,848	796
— Top and vest	489 to 6,240	899	101 to 7,550	939	2,736 to 2,736	2,736	1,490 to 2,981	1,540
— Others (Note 2)	100 to 4,847	920	300 to 7,713	1,104	710 to 2,429	882	524 to 1,460	949
Men								
— Jacket and coat	776 to 9,126	1,365	762 to 14,711	1,570	762 to 4,150	1,624	939 to 7,142	1,795
— Others (Note 2)	250 to 4,130	1,316	1,112 to 10,415	1,224	1,112 to 2,667	1,233	1,136 to 1,136	1,136

Notes:

1. The average selling price represented the selling price of our products to our customers and not the retail price of our products sold by our customers.
2. During the Track Record Period, other products for women included dress and shorts, and other products for men included pants, blazer and vest.

SUMMARY

Production capacity and utilisation rates

The table below sets out our estimated annual production capacity and approximate utilisation rates of our production facilities during the Track Record Period.

	Year ended 30 June		Three months ended
	2013	2014	30 September 2014
Estimated annual production capacity (in terms of number of pieces of leather garments)	103,000	103,000	25,750
Actual output volume (number of pieces of leather garments manufactured)	40,788	57,179	16,114
Approximate utilisation rate	40%	56%	63%

Please see “Business — Production — Production capacity and utilisation rates” of this prospectus on pages 123 to 124 for more details of the production capacity and utilisation rates.

HISTORICAL NON-COMPLIANCE INCIDENTS

During the Track Record Period and up to the Latest Practicable Date, we failed to comply with certain laws, rules and regulations applicable to us. These include: (a) non-compliance with section 122 of the Predecessor Companies Ordinance and/or section 429 of the Companies Ordinance; (b) non-compliance incidents in relation to the timely lodgment of textile notifications under TTRS (hence not being exempted from obtaining prior licences) for import of textiles from the PRC into Hong Kong; (c) non-compliance arising from late lodgment of declarations for importations into or exportations from Hong Kong under the IAE Ordinance; and (d) non-compliance with the requisite contribution requirements of social insurance and housing provident fund for certain of our PRC employees. Please refer to the paragraph headed “Business — Legal proceedings and non-compliance” on pages 143 to 156 in this prospectus for further details.

Non-compliance arising from late lodgment of import or export declarations under the IAE Ordinance

In particular, during the Track Record Period, approximately 588 out of about 1,200 import or export declarations were lodged by Perline beyond the prescribed period under the IAE Registration Regulations. The total amount of penalties that we paid for the Track Record Period were about HK\$23,400. Please refer to the paragraphs headed “3. Non-compliance arising from late lodgment of import or export declarations for importations into or exportations from Hong Kong under the IAE Ordinance” and “Further details about non-compliance with the requirement on timely lodgment of import or export declarations” in the business section on pages 146 to 147 and pages 152 to 154 of this prospectus for further details.

SUMMARY

RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

Our financial results for the year ending 30 June 2015 may be adversely affected by the considerable drop in orders from some of our major customers which happened in the first quarter of the financial year ending 30 June 2015. According to the audited financial statements of our Group for the three months ended 30 September 2014 and the unaudited financial statements of our Group for the three months ended 30 September 2013, which have been reviewed by our reporting accountants, as set out in Appendix I to this prospectus, our revenue was approximately HK\$22.2 million for the three months ended 30 September 2014 as compared to approximately HK\$25.8 million for the same period in 2013, representing a decrease of approximately 13.8%. The decrease was primarily due to a considerable drop in orders placed by three of our top five customers of the year ended 30 June 2014, which have reduced their purchase orders placed with us by more than 50%, ranging from 56% to 63%, in terms of sales value when compared with their respective purchase value in the corresponding three-month period in 2013. The principal reason for the considerable drop in their sales value is the fall in the number of units of leather apparel ordered. We expect to experience for the first half of our current financial year ending 30 June 2015 a fall in the sales value derived from these three of our top five customers for the year ended 30 June 2014 as compared to the sales value derived from them in the same period in 2014.

Our Directors believe that the expected decrease in sales orders from these customers is attributable to a number of factors, including but not limited to the following: these customers do not have any long-term purchase commitments with us which resulted in uncertainty of the volume of purchaser orders which our customers may place with us from time to time; and changes in our customers' business strategies or plans, our customers' business needs or the direction of our customers' product emphasis. Based on the recent orders placed by the customers with us, the Directors consider that the drop in revenue attributable to these major customers for the six months ended 31 December 2014 was principally due to (i) the change in fashion focus of such customers with less leather garment product development; and (ii) the change in customer preference and design such that less leather is used as raw materials in leather-related garment products, resulting in a lower cost in manufacturing such product, while may not be due to the decrease in demand from the North America market as we received more orders from some other customers based in the United States, or the shift in customers' preference from apparel to accessories as the global leather garment sales value is expected to grow in the coming years according to the Industry Report. Please refer to the paragraph headed "Risk Factors — We do not have long-term purchase commitments from our customers and we are exposed to potential volatility in our turnover" on page 30 of this prospectus for further details. However, the gross profit of our Group for the three months ended 30 September 2014 was approximately HK\$9.9 million, representing an increase of approximately 15.8% as compared to approximately HK\$8.6 million for the same period in 2013. Furthermore, our gross profit margin for the three months ended 30 September 2014 was approximately 44.5% as compared to approximately 33.1% for the same period in 2013, and such increase in gross profit margin was mainly because the products of some of our customers sold for the three months ended 30 September 2014 were of more sophisticated designs or materials which required more complex craftsmanship and more men's leather garment products, which generally have a relatively higher gross profit margin as compared to women's leather garment products, were

SUMMARY

manufactured and sold. Our Directors believe that products with more sophisticated designs or materials which require more complex craftsmanship could usually command a higher profit margin as more complicated production process will be involved.

Notwithstanding such considerable drop in sales value attributable to three of our top five customers for the year ended 30 June 2014 as compared to the corresponding period, as we have maintained a diverse customer base and our Directors believe that we are able to allocate resources to develop business with our other customers and from new customers, our Group is expected to secure purchase orders from new and existing customers. For the two months ended 30 November 2014, we recorded unaudited revenue of approximately HK\$9.6 million, representing an increase of approximately HK\$2.1 million as compared to the corresponding period in 2013. We also recorded gross profit of approximately HK\$4.3 million and gross profit margin of approximately 44.5% for the two months ended 30 November 2014, as compared to a gross profit of approximately HK\$2.5 million and gross profit margin of approximately 33.0% for the corresponding period in 2013. The average selling price of our leather garment products slightly decreased from approximately HK\$1,316.4 per unit to approximately HK\$1,308.7 per unit for the two months ended 30 November 2014 as compared to the corresponding period in 2013. Furthermore, based on current confirmed orders for the first half of the current financial year (which include, but not limited to, (i) the expected revenue of approximately HK\$15.0 million (based on sales made and confirmed sales orders) to be derived from five of our customers for the six months ended 31 December 2014, representing an increase of approximately HK\$5.1 million as compared to the unaudited revenue derived from such customers for the six months ended 31 December 2013; (ii) the expected revenue of approximately HK\$5.4 million (based on sales made and confirmed sales orders) to be derived from two other customers with around one year of business relationship with us for the six months ended 31 December 2014, representing an increase of approximately HK\$4.9 million as compared to the unaudited revenue derived from such customers for the six months ended 31 December 2013; and (iii) the expected revenue of approximately HK\$4.7 million (based on sales made and confirmed sales orders) to be derived from a new customer for the six months ended 31 December 2014), our Directors expect that the total revenue for the six months ended 31 December 2014 will remain at a similar level to that for the same period in 2013.

Our Group's unaudited accounts for the two months ended 30 November 2014 and 2013 have been reviewed by our Group's reporting accountants, HLB Hodgson Impey Cheng Limited, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by HKICPA.

Listing expenses

Listing expenses include professional fees, underwriting commission and fees incurred in connection with the Listing. Listing expenses to be borne by our Company are estimated to be approximately HK\$28.9 million (based on the mid-point of the Placing Price range of HK\$0.575 per Share), of which approximately HK\$11.1 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from equity, and approximately HK\$17.8 million of the listing expenses in relation to services already performed is expected to be reflected in our combined statement of profit or loss of our Group (of which approximately HK\$4.2 million was

SUMMARY

incurred during the three months ended 30 September 2014). Our results of operations for the six months ended 31 December 2014, the nine months ending 31 March 2015, and accordingly the year ending 30 June 2015 are expected to be adversely affected by the non-recurring listing expenses in connection with the Listing.

LOSS ESTIMATE

Our unaudited pro forma estimated loss per Share for the six months ended 31 December 2014 has been prepared on the basis as set out in Appendix III to this prospectus for the purpose of illustrating the effect of the Placing and the Capitalisation Issue as if they had taken place on 1 July 2014 and a total number of 400,000,000 Shares were in issue during such six-month period, and the estimated combined loss attributable to equity shareholders of our Company has taken into account of the expected listing expenses to be incurred during the six months ended 31 December 2014 of approximately HK\$13.7 million. This unaudited pro forma estimated loss per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, may not provide a true picture of our financial results following the Placing and the Capitalisation Issue. Please see Appendix III to this prospectus for further information.

Estimated combined loss attributable to equity shareholders

of our Company for the six months ended 31 December 2014 not more than HK\$5 million

Unaudited pro forma estimated loss per Share for the six months

ended 31 December 2014 not more than 1.25 HK cents

USE OF PROCEEDS

The net proceeds from the Placing, assuming a Placing Price of HK\$0.575 per Placing Share (being the mid-point of the Placing Price range stated in this prospectus), are estimated to be approximately HK\$28.6 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Placing. Our Directors presently intend to apply the net proceeds as follows:

- (a) approximately 30.8%, or approximately HK\$8.8 million, of the net proceeds for strengthening our business development capability by expanding our marketing team to enhance our relations with our existing customers and expand our customer base, participating in more trade fairs and fashion shows to increase the market presence of our Group, expanding our business in the North America market and strengthening our marketing coverage in the PRC market;
- (b) approximately 1.7%, or approximately HK\$0.5 million, of the net proceeds for enhancing our manufacturing facilities through purchasing new production equipment and machineries to replace certain old equipment and machineries and enhance our technical ability and production capability in order to meet the increasing demand for our production capability;

SUMMARY

- (c) approximately 30.8%, or approximately HK\$8.8 million, of the net proceeds for expansion of our Group's pre-production product development function by recruiting more staff for our design and development team;
- (d) approximately 29.4%, or approximately HK\$8.4 million, of the net proceeds for expansion of our sourcing capability by recruiting more staff or agent to expand our geographical coverage of suppliers and make more frequent supplier visits to strengthen our quality control on leather raw materials; and
- (e) the remaining amount of approximate 7.3%, or approximately HK\$2.1 million, of the net proceeds will be used to provide funding for our working capital and other general corporate purposes.

If the Placing Price is not fixed at the mid-point of the Placing Price range resulting in any increase or decrease of the estimated net proceeds received, such net proceeds will be used in the same proportions as disclosed above, save for the amount of net proceeds planned to be used to enhance our Group's manufacturing facilities which will remain substantially constant and, if the final Placing Price is set at a price higher than the mid-point of the Placing Price range, the amount allocated for our working capital and other general corporate purposes shall not exceed 10% of the then net proceeds.

Expected timing of use of proceeds

	From the Latest Practicable Date to 30 June 2015	For the period from 1 July 2015 to 31 December 2015	For the period from 1 January 2016 to 30 June 2016	For the period from 1 July 2016 to 31 December 2016	For the period from 1 January 2017 to 30 June 2017	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Strengthening our business development capability	0.62	2.04	2.04	2.04	2.04	8.78
Enhancing our manufacturing facilities	0.20	0.30	Nil	Nil	Nil	0.50
Expansion of our Group's pre-production development function	0.62	2.04	2.04	2.04	2.04	8.78
Expansion of our sourcing capability	0.62	1.94	1.94	1.94	1.94	8.38

For more details, please refer to the section headed "Future plans and use of proceeds" on pages 239 to 246 in this prospectus.

DIVIDENDS

Our Company has not declared or paid any dividend since the date of incorporation up to the Latest Practicable Date. Perline, a subsidiary of our Company, declared dividends of approximately HK\$6.0 million and HK\$3.2 million to its then shareholders for the two years ended 30 June 2014 respectively. The dividend of HK\$6.0 million for the year ended 30 June 2013 was fully paid in

SUMMARY

2014. For the year ended 30 June 2014, pursuant to the resolution passed in October 2014, declaration by Perline of dividends of HK\$3.2 million attributable to the year ended 30 June 2014 was approved and such dividend was fully paid in December 2014.

The historical dividend payments may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Our Group has not formulated any dividend policy and does not have any predetermined dividend payout ratio. The determination to pay dividends will be made at the discretion of the Board. The declaration, payment and amount of any future dividends will depend on our financial condition, results of operation, level of cash, statutory and regulatory restrictions in relation thereto, future prospects, and other factors that our Directors may consider relevant. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of its plans or at all.

RISK FACTORS

There are risks associated with your investment in the Placing Shares, among which, the relatively material risks are:

- we do not have long-term purchase commitments from our customers and we may be exposed to potential volatility in our turnover;
- during the Track Record Period, we derived a significant portion of our revenue from a small number of customers and therefore any significant decrease in sales to any of our major customers may adversely and materially affect our Group's business, financial condition and results of operations;
- significant growth in revenue and net profit for the year ended 30 June 2014 is not indicative of our future financial performance and our operating results may fluctuate significantly; and
- we estimate that we will be in a loss position for the six months ended 31 December 2014 and may experience a material adverse change in our financial results for the nine months ending 31 March 2015 and accordingly the year ending 30 June 2015 which are mainly attributable to the listing expenses incurred in relation to the Listing.

You should read the entire section headed "Risk Factors" in this prospectus carefully before you decide to invest in the Placing Shares.

SUMMARY

PLACING STATISTICS

	Based on the Placing Price of HK\$0.55 per Share (low-end of Placing Price)	Based on the Placing Price of HK\$0.60 per Share (high-end of Placing Price)
Market capitalisation of the Shares ¹	HK\$220 million	HK\$240 million
Unaudited pro forma adjusted net tangible asset per Share ²	HK\$0.12	HK\$0.13

Notes:

1. The calculation of market capitalisation is based on 400,000,000 Shares expected to be in issue upon completion of the Placing and the Capitalisation Issue without taking into account the Shares that may be allotted or issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.
2. The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the paragraph headed “Appendix II Unaudited pro forma financial information — Unaudited pro forma adjust combined net tangible assets” in this prospectus.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus.

“Articles” or “Articles of Association”	the articles of association of our Company adopted on 28 January 2015 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Astrum Capital Management”	Astrum Capital Management Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities (as defined under the SFO)
“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“BVI-Cheung”	Quality Century Limited, a company incorporated on 2 July 2014 in BVI with limited liability and a Controlling Shareholder, solely owned by Ms. Idy Cheung (a Controlling Shareholder and an executive Director) as at the Latest Practicable Date
“BVI-Ching”	Olson Global Limited, a company incorporated on 27 May 2014 in BVI with limited liability and which, as at the Latest Practicable Date, held 15% of the issued share capital of the Company, and was solely owned by Mr. Ramond Ching (an executive Director)
“BVI-Lam”	Design Vanguard Limited, a company incorporated on 3 July 2014 in BVI with limited liability and which, as at the Latest Practicable Date, held 17% of the issued share capital of the Company, and was solely owned by Ms. Grace Lam (an executive Director)
“BVI Inv Vehicles”	collectively, BVI-Cheung, BVI-Lam and BVI-Ching

DEFINITIONS

“CAGR”	compounded annual growth rate
“Capitalisation Issue”	the issue of 290,000,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in “Appendix V Statutory and general information — 1.3 Resolutions in writing of our Shareholders passed on 28 January 2015” in this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associates(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Commerce Authority”	the Commerce Department (商務部門) in the PRC or, where the context so requires, MOFCOM or its delegated authority at provincial, municipal or other local level
“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
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies WUMP Ordinance”	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

DEFINITIONS

“Company”	Odella Leather Holdings Limited (愛特麗皮革控股有限公司), a company incorporated on 3 September 2014 in the Cayman Islands with limited liability under the laws of the Cayman Islands
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it in the GEM Listing Rules and unless the context requires otherwise, refers to BVI-Cheung and Ms. Idy Cheung collectively
“Corporate Governance Committee”	the corporate governance committee of the Board
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“EIT”	Enterprise Income Tax of the PRC
“EIT Law”	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) adopted by the Tenth NPC on 16 March 2007, and effective on 1 January 2008
“Employees Compensation Ordinance”	Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Employment Ordinance”	Employment Ordinance (Chapter 57 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Finet Securities”	Finet Securities Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities (as defined under the SFO)
“Foshan Factory”	our production base which is located at 3/F, Block A1, Hantian Electronics City, Dong Ping Road, Gweicheng, Nanhai, Foshan, Guangdong Province, the PRC (中國廣東省佛山市南海桂城瀚天科技城A1座三樓), which is operated by Foshan Shengli

DEFINITIONS

“Foshan Shengli”	Foshan Nanhai Shengli Leather Garment Co., Ltd. (佛山市南海盛麗皮衣有限公司), a WFOE established in the PRC on 21 June 2004 and an indirect wholly-owned subsidiary of the Company
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited as amended, supplemented or otherwise modified from time to time
“GEM Website”	the internet website at www.hkgem.com operated by the Stock Exchange for the purposes of GEM
“Group”, “our Group”, “we”, “our” and “us”	our Company and its subsidiaries at the relevant time or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“Halcyon Securities”	Halcyon Securities Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities (as defined under the SFO)
“HKAS”	the Hong Kong Accounting Standards
“HK Customs”	Customs and Excise Department of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards issued by HKICPA
“HKICPA”	the Hong Kong Institute of Certified Public Accountants
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	the HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK-TID”	Trade and Industry Department of Hong Kong

DEFINITIONS

“HK\$” or “Hong Kong dollars” or “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Legal Advisers”	Chiu & Partners, our legal advisers as to Hong Kong laws
“IAE Ordinance”	Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“IAE General Regulations”	Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong, a subsidiary legislation of the IAE Ordinance), as amended, supplemented or otherwise modified from time to time
“IAE Registration Regulations”	Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong, a subsidiary legislation of IAE Ordinance), as amended, supplemented or otherwise modified from time to time
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) our Company or its connected persons
“Individual Owners”	collectively, Ms. Idy Cheung, Ms. Grace Lam and Mr. Ramond Ching, who were the indirect ultimate beneficial owners of 68%, 17% and 15% of the issued share capital in the Company as at the Latest Practicable Date
“Industry Report”	a market research report entitled “Market Landscape and Competitive Analysis for Leather Garment Manufacturing Industry” commissioned by us and prepared by Ipsos
“INED(s)”	independent non-executive director(s) or, in the context of our Company, our independent non-executive Director(s)
“Ipsos”	IPSOS Hong Kong Limited, a market research and consulting company, an Independent Third Party
“IRD”	Inland Revenue Department of Hong Kong

DEFINITIONS

“IRO” or “Inland Revenue Ordinance”	Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Issuing Mandate”	a general and unconditional mandate granted to our Directors by the passing by our Shareholders of resolutions referred to in “Appendix V — Statutory and general information — 1.3 Resolutions in writing of our Shareholders passed on 28 January 2015” in this prospectus, pursuant to which our Directors may exercise the power of the Company to allot, issue or otherwise deal in new Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company as at the Listing Date
“Joint Bookrunners”	Halcyon Securities, Ping An Securities and Pacific Foundation Securities
“Joint Lead Managers”	Halcyon Securities, Ping An Securities, Pacific Foundation Securities, Astrum Capital Management and Finet Securities
“Latest Practicable Date”	30 January 2015, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus
“Listing”	listing of the Shares on GEM
“Listing Date”	the date, expected to be on 12 February 2015, on which dealings in our Shares first commence on GEM
“Listing Division”	the listing division of the Stock Exchange
“Main Board”	the Main Board operated by the Stock Exchange
“Memorandum of Association”	the memorandum of association of our Company (as amended from time to time), adopted on 28 January 2015, a summary of which is set out in Appendix IV to this prospectus
“Minimum Wage Ordinance”	Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部)

DEFINITIONS

“MPF Ordinance”	Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Mr. Ramond Ching”	Mr. CHING Wai Man (程偉文先生), an executive Director and a Substantial Shareholder
“Ms. Grace Lam”	Ms. LAM Wai Si Grace (林慧思女士), an executive Director, the Chief Executive Officer and a Substantial Shareholder
“Ms. Idy Cheung” or “Chairman”	Ms. CHEUNG Woon Yiu (張煥瑤女士, alias Idy Cheung), one of our Controlling Shareholders, an executive Director and the chairman of the Board
“Nomination Committee”	the nomination committee of the Board
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Odella BVI”	Odella International Limited, a company incorporated on 11 September 2014 in BVI, which was a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Old FIE” or “Old Processing Entity”	Foshan Xinyi Leather Garment Co., Ltd. (佛山市新藝皮衣廠有限公司), a foreign-invested enterprise which was established in the PRC on 5 June 1990 and deregistered on 4 April 2007 and which rendered leather garment manufacturing services to our Group before the establishment of Foshan Shengli
“Pacific Foundation Securities”	Pacific Foundation Securities Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 9 (asset management) regulated activities (as defined under the SFO)
“PBOC”	the People’s Bank of China (中國人民銀行)
“Perline”	Perline Company Limited (柏麗發展有限公司), a company incorporated on 15 March 1988 in Hong Kong, which was an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date

DEFINITIONS

“Ping An Securities”	Ping An Securities Limited, a licensed corporation under the SFO permitted 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 (as defined under the SFO)
“Placing”	the conditional placing of the Placing Shares by the Underwriters on behalf of the Company for cash at the Placing Price as described in the section “Structure and conditions of the Placing” in this prospectus
“Placing Price”	the final price for each Placing Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy), which will not be more than HK\$0.60 per Placing Share and expected to be not less than HK\$0.55 per Placing Share, such price to be fixed on or before the Price Determination Date
“Placing Shares”	the 100,000,000 new Shares being offered at the Placing Price for subscription pursuant to the Placing subject to the terms and conditions as described in the section headed “Structure and conditions of the Placing” in this prospectus
“PRC” or “China”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended at the Sixth Session of the Standing Committee of the Twelfth NPC on 28 December 2013, effective from 1 March 2014 (2013 Amendment), as amended, supplemented or otherwise modified from time to time
“PRC Government”	the government of the PRC including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and governmental organisation
“PRC Legal Advisers”	GFE Law Office (廣東恒益律師事務所), our legal advisers as to PRC laws
“Predecessor Companies Ordinance”	Companies Ordinance (then Chapter 32 of the Laws of Hong Kong), which was in force before 3 March 2014 and was repealed after the Companies Ordinance having commenced operation on 3 March 2014

DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to record and fix the Placing Price
“Price Determination Date”	the date, expected to be on or about Friday, 6 February 2015 on which the Placing Price will be fixed for the purposes of the Placing
“Processing Agreements”	the five currently subsisting processing agreements (對外來料加工(裝配)合同) dated 10 March 2014, 28 May 2014, 3 September 2014, 8 October 2014 and 1 December 2014 respectively entered into between Perline and Foshan Shengli
“Province” or “province”	each being a province or, where the context requires, a provincial level autonomous region or a provincial level city under the direct supervision of the central government of the PRC
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the corporate reorganisation of the Group in preparation for the Listing, details of which are set out in the paragraph “History, Development and Reorganisation — Reorganisation” of this prospectus
“Repurchase Mandate”	a general and unconditional mandate granted to our Directors by the passing by our Shareholders of resolutions referred to in “Appendix V Statutory and general information — 1.3 Resolutions in writing of our Shareholders passed on 28 January 2015” in this prospectus, pursuant to which our Directors may exercise the power of the Company to repurchase Shares the aggregate nominal amount of which shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the Listing Date
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)

DEFINITIONS

“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) having a par value of HK\$0.01 each in the capital of the Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 28 January 2015, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of Shares
“sq.ft”	square foot (feet)
“sq.m”	square metre(s)
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sponsor” or “Sole Sponsor”	Halcyon Capital Limited, a licensed corporation under the SFO permitted to carry out type 6 (advising on corporate finance) regulated activity (as defined under the SFO), being the sponsor to the Placing
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules, unless the context otherwise requires
“Substantial Shareholder(s)”	has the meaning ascribed to it in the GEM Listing Rules and details of our Substantial Shareholders are set out in the section “Substantial Shareholders” in this prospectus
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Track Record Period”	the financial period comprising the two financial years ended 30 June 2014 and the three months ended 30 September 2014
“TTRS”	Textiles Trader Registration Scheme, brief details of which are set out in the paragraph “Regulations — Hong Kong — Import and Export Ordinance”
“Underwriter(s)”	the underwriter(s) of the Placing listed in “Underwriting — Underwriters”
“Underwriting Agreement”	the conditional underwriting agreement relating to the Placing entered into on 4 February 2015 by, among others, our Company, the Controlling Shareholders, the executive Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, particulars of which are set out in the section “Underwriting” in this prospectus
“United States”, “USA” or “US”	the United States of America
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“WFOE”	wholly foreign-owned enterprise
“%”	per cent.

The English names of the PRC laws, rules, regulations, nationals, entities, governmental authorities, institutions, facilities, certificates and titles etc. mentioned in this prospectus are translations from their Chinese names and are for identification purpose only. If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.

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.

Unless otherwise specified, all times refer to Hong Kong time and references to years in this prospectus are to calendar years.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as “may,” “will,” “should,” “would,” “could,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “continue,” “seek,” “estimate” or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectation and assumptions regarding our business, the economy and other future conditions. We can give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our ability to stay abreast of market trends and maintain commercially reasonable relationships with our customers and suppliers;
- our ability to retain core team members and recruit qualified and experienced new team members;
- our ability to maintain an effective control system;
- our operation and business prospect;
- our ability to maintain and strengthen our market position;
- our prospective financial information;
- developments in, or changes to, laws, regulations, governmental policies, taxation or accounting standards or practices affecting our operations, especially those related to the PRC;
- general political and global economic conditions, especially those related to the PRC, and macro-economic measures taken by the PRC Government to manage economic growth;
- fluctuations in inflation, interest rates and exchange rates;
- changes in the availability of, or new requirements for financing;

FORWARD-LOOKING STATEMENTS

- our ability to successfully implement any of our business strategies, plans, objectives and goals;
- our ability to expand and manage our business;
- changes in restrictions on foreign currency convertibility and remittance abroad;
- changes to our expansion plans and estimated capital expenditure;
- our dividend policy;
- our success in accurately identifying future risks to our business and managing the risks of the aforementioned factors;
- other factors discussed in sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Business” and “Financial Information”; and
- other statements in this prospectus that are not historical facts.

Any forward-looking statement made by us in this prospectus speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Placing Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We do not have long-term purchase commitments from our customers and we are exposed to potential volatility in our turnover

We do not have long-term purchase commitments from our customers. Our business with our customers has been, and we expect it will continue to be, conducted on the basis of actual purchase orders received from time to time. Our customers are not obligated in any way to continue placing orders with us at the same or increased levels or at all. They typically offer a spectrum of apparel and accessories under their own brands and leather apparel forms only a minor portion of their product portfolio. Their level of demand for our leather garment products may fluctuate significantly from period to period. Such fluctuation is attributable to a number of factors, including changes in our customers' business strategies or plans, our customers' business needs or the direction of our customers' product emphasis, and our customers' preference and fashion trends.

We expect to experience for the first half of our current financial year ending 30 June 2015 a fall in the sales value derived from three of our top five customers for the year ended 30 June 2014 as compared to the sales value derived from them in the same period in 2014. The principal reason for the considerable drop in their sales value is the fall in the units of leather apparel ordered. Please refer to the paragraphs headed "Recent developments subsequent to the Track Record Period" and "Material adverse change" in the Summary section of this prospectus for further details.

We cannot assure you that our customers will continue to place purchase orders with us at the same volume or same margin, as compared to prior periods, or at all. We may not be able to locate alternative customers to replace purchase orders or sales. As a result, our business, financial condition and results of operations may vary from period to period and may fluctuate significantly in the future.

RISK FACTORS

During the Track Record Period, we derived a significant portion of our revenue from a small number of customers and therefore any significant decrease in sales to any of our major customers may adversely and materially affect our Group's business, financial condition and results of operations

The sales to our top five customers for each of the two years ended 30 June 2014 and three months ended 30 September 2014 amounted to approximately HK\$29,446,000, HK\$52,610,000 and HK\$14,427,000 respectively, which accounted for about 54.9%, 65.3% and 64.9% of our total turnover for such periods, respectively. Our sales attributable to our largest customer for each of the two years ended 30 June 2014 and the three months ended 30 September 2014 amounted to approximately HK\$9,791,000, HK\$18,267,000 and HK\$6,022,000 respectively, which represent about 18.3%, 22.7% and 27.1% of our total turnover for such periods, respectively.

As there was a significant decrease in the sales value derived from some of our major customers during the three months ended 30 September 2014, there is no assurance that we would be successful in reducing our reliance on a small number of customers to generate a significant portion of our revenue and preventing the adverse effect on our Group's business, financial condition and results of operations due to any significant decrease in sales to any of our major customers. For further details, please refer to the paragraphs headed "Recent developments subsequent to the Track Record Period" and "Material adverse change" in the Summary section of this prospectus.

Significant growth in revenue and net profit for the year ended 30 June 2014 is not indicative of our future financial performance and our operating results may fluctuate significantly

We have experienced a significant growth in revenue and net profit for the year ended 30 June 2014. Our revenue derived from the sales of leather products increased by approximately 50.3% from approximately HK\$53.6 million for the year ended 30 June 2013 to approximately HK\$80.6 million for the year ended 30 June 2014. Our gross profit increased by approximately 44.8% from approximately HK\$18.9 million for the year ended 30 June 2013 to approximately HK\$27.4 million for the year ended 30 June 2014. The increase was mainly due to the increase in the quantity of leather garment products sold by approximately 40.2% and the increase in the average selling price of our leather garment products by about 7.9%. Our net profit also increased by approximately 80.9% from approximately HK\$7.1 million for the year ended 30 June 2013 to approximately HK\$12.9 million for the year ended 30 June 2014. For further information, please refer to the paragraph headed "Financial information — Results of operations of our Group" in this prospectus.

While our revenue and net profit have increased significantly for the year ended 30 June 2014, the improved financial results are not indicative of our future financial performance. The sustainability of our growth depends on a number of factors, including but not limited to the market trend and demand of leather garments, our business relationship with our customers, the implementation of our business strategies, the competitive landscape of the leather garment manufacturing industry as well as the general economic conditions in the PRC, Hong Kong and elsewhere in the world. Historical figures or past results should not be relied on as indicators of our performance. We cannot assure you that our growth will continue in the near future or at all.

RISK FACTORS

We estimate that we will be in a loss position for the six months ended 31 December 2014 and may experience a material adverse change in our financial results for the nine months ending 31 March 2015 and accordingly the year ending 30 June 2015 which are mainly attributable to the listing expenses incurred in relation to the Listing

It is preliminarily reviewed and estimated by our Board that there will be a substantial reduction in the profit of our Group and we will make a loss of no more than HK\$5 million for the six months ended 31 December 2014 and may be in a loss position for the nine months ending 31 March 2015 and accordingly the year ending 30 June 2015 mainly as a result of the listing expenses, which are one-off non-recurring expenses and currently estimated (in respect of the position to be accounted for in our combined statement of profit or loss) to be approximately HK\$13.7 million for the six months ended 31 December 2014 and the remaining balance of approximately HK\$4.1 million will be expensed upon Listing. Such listing expenses are current estimates for reference only and the final amount to be charged to the profit and loss account of our Group for the six months ended 31 December 2014, the nine months ending 31 March 2015 and the year ending 30 June 2015 is subject to change. Please refer to the paragraph headed “Material adverse change” in the Summary section of this prospectus for further details.

Our performance may be affected by consumers’ preference, consumer spending level, general economic conditions and unexpected and abnormal changes in climate in the countries in which our customers sell our products

Our major customers are mainly based in the United States and Australia with retail operations in different countries. As such, our results of operations are largely affected by the consumers’ preference and the level of demand for leather garments in the markets to which our customers sell our leather garment products. Even if leather garments continue to suit the customers’ tastes and preference, demand for our products may still be influenced by a number of factors some of which are beyond our control, including, amongst others, the consumer spending level, general economic conditions, as well as unexpected and abnormal changes in climate in the countries in which our customers sell our products. The consumer spending level is affected by many factors including interest rates, level of disposable income, political uncertainty, taxation, unemployment level and general consumer confidence. Unfavourable changes in climate like a warm winter in the United States or Australia may affect the purchase orders we receive from our customers with retail operations in the United States or Australia for the coming seasons.

Thus, the consumers’ preference, consumer spending level, general economic conditions and unfavourable changes in climate in the countries in which our products are sold may have material and adverse effect on our Group’s business, results of operations and financial condition.

RISK FACTORS

We rely on raw material suppliers to supply us with suitable leather and if we cannot source such leather with sufficient amount, it may have an adverse impact on our reputation and business operation

We rely on raw material suppliers to supply us with leather. Our ability to provide pre-production product development services, gain businesses from our customers and manufacture leather garments conforming to our customers' aesthetic requirements and product specifications depends to a large extent on our ability to source sufficient amount of various sorts of leather from our suppliers. Our Group's top five suppliers together accounted for approximately 56.6%, 43.9% and 65.9% respectively of our total purchase of raw materials for each of the two years ended 30 June 2014 and the three months ended 30 September 2014. We do not have long-term supply contracts with our raw material suppliers, but instead work on an order-to-order basis. Although we maintain close business relationships with our suppliers, if any of our leather suppliers are unable or unwilling to supply suitable leather with sufficient amount to us, there is no assurance that we will be able to locate alternative suppliers who could supply the same suitable raw materials with sufficient amount to us in a timely fashion and at comparable commercial terms. If we are unable to do so, it could adversely impact our ability to gain purchase orders from our customers and also to manufacture products for and deliver products to our customers in a timely manner.

Furthermore, the quality of the leather used is crucial to the production of a leather garment and if there are unfavourable fluctuations in the quality of the leather raw materials, we may incur additional costs to acquire sufficient suitable leather to maintain our production schedules and commitment to our customers. In addition, there is no assurance that we will be able to identify alternative sources of suitable leather.

If we are unable to source suitable leather in a timely fashion and in turn unable to fulfil our commitments to our customers, it may harm our reputation, business, financial condition, results of operations and prospects.

Our Group's success significantly depends on our key personnel, Ms. Grace Lam and Mr. Ramond Ching and our ability to recruit additional qualified personnel, our business operation may be adversely affected if we lose their services or are unable to attract competent personnel

Our Directors believe that our success, to a large extent, is attributable to, amongst other things, the contribution of our key personnel, Ms. Grace Lam and Mr. Ramond Ching. Ms. Grace Lam, our Chief Executive Officer and an executive Director, is primarily responsible for the marketing function of our Group and also overseeing and directing the daily operations. She has in depth knowledge in leather and the production of leather garments and has extensive experience in the leather garment manufacturing industry. She also maintains good business relationships with our customers. Mr. Ramond Ching, an executive Director, is primarily responsible for the production function of our Group and has over 27 years experience in the leather garment manufacturing industry. Please refer to the section headed "Directors, senior management and staff" in this prospectus for details of Ms. Grace Lam's and Mr. Ramond Ching's experience.

RISK FACTORS

If we lose the services of Ms. Grace Lam or Mr. Ramond Ching and we are unable to recruit qualified and experienced personnel to replace her or him, it could have material adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, our success and ability to expand our operations also depend upon our ability to attract and recruit a sufficient number of qualified personnel. If we are unable to hire such personnel capable of consistently providing a high level of services, our ability to expand may be impaired and the performance of our business could be adversely affected.

Our abilities to retain our skilled and experienced workers, especially sewing workers and cutter workers and recruit sufficient qualified workers are critical to our success and our business operation may be adversely affected if we lose their services or are unable to attract competent workers

Due to the nature of leather garment manufacturing, our Directors regard our production workforce an essential element in our production process, as our production process relies on the skills and craftsmanship of our experienced workers, including sewing workers and cutter workers, to manufacture leather apparel products which can meet our customers' specifications and aesthetic requirements. There is no assurance that we will not experience labour shortages, especially during peak seasons. If we lose the services of our skilled and experienced workers in our business operations without timely and suitable replacement or if we are not able to recruit sufficient skilled workers, we may not be able to maintain our production volumes or quality level or we may fail to fulfil our obligations under the purchase orders with our customers. This may adversely affect our business operations, financial condition, results of operations and reputation.

A material disruption of our operations could adversely affect our business

The Foshan Factory is our only manufacturing base. It is subject to operation risks, such as the breakdown or failure of our major equipment, power supply or maintenance, natural disasters (including but not limited to earthquake, fire, flood and storm), industrial accidents and the need to comply with the directives of relevant government authorities, which could therefore lead to temporary, permanent, partial or complete shut-downs in operations. Our business, financial condition, results of operations and business prospects may be adversely affected by any disruption of operations at the Foshan Factory whether caused by any of the factors mentioned above or otherwise.

Our business is susceptible to seasonal fluctuations and if we cannot balance out our production schedule and secure some purchase orders for our low season, our results of operations may be adversely affected

Our business may be impacted by seasonality. Based on our experience, we have a relatively higher level of sales from March to August, while September to February are generally the slack season of our sales. For further details, please refer to the paragraph headed "Business — Seasonality" in this prospectus. To avoid high volatility of the purchase orders received during certain periods and balance out our production schedule, we try to plan ahead in each year our

RISK FACTORS

production schedule and secure some purchase orders from some of our customers for our low season. If we cannot balance out our production schedule and secure some purchase orders for our low season, our results of operations may be adversely affected.

Any increase in cost of labour may adversely affect our profitability and competitiveness

Our labour force is mainly made up of workers working in the Foshan Factory. If labour costs increase in the PRC, our cost of sales will also increase. If we are not able to control our labour costs or pass on the increase in labour costs to our customers, it will have an adverse effect on our business, financial condition and results of operations.

We recorded net cash used in operating activities of approximately HK\$2.6 million for the year ended 30 June 2013. If we record net cash outflow from operating activities in the future, our liquidity and financial condition may be materially and adversely affected

We recorded net cash used in operating activities of approximately HK\$2.6 million for the year ended 30 June 2013, which was principally attributable to the increase in inventories of approximately HK\$7.0 million and increase in trade receivables of approximately HK\$5.7 million and partially offset by the profit before tax of approximately HK\$8.7 million and increase in accruals, other payables and trade deposits received of approximately HK\$2.0 million. Please refer to the paragraph headed “Financial Information — Liquidity, financial resources and capital resources” for further details.

In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity and financial condition may be materially and adversely affected. We can give no assurance that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

Our future expansion plans may not be successful and our business may be adversely affected

Our future expansion plans are set out in the section headed “Future plans and use of proceeds” in this prospectus. There is no assurance that our future expansion plans can be successfully implemented. Some future uncertain events which are beyond our control may affect the smooth running of the expansion plans such as unfavourable economic conditions, changes in the government policies, laws and regulations and delays in obtaining the necessary licences and approvals from the government.

Our business may be adversely affected if we fail to project accurately the time, labour and costs required for the implementation of our expansion plans, or if we fail to secure sufficient amount of purchase orders or at all after the expansion.

RISK FACTORS

The current uses of our Hong Kong headquarters and warehouse may contravene their permitted uses and we could be ordered or requested by the relevant government authorities, the manager of the building or our landlords to discontinue the current uses of the properties and if we fail to find suitable premises, our business operation may be adversely affected

The current uses of our current headquarters and warehouse may contravene their permitted uses under the Conditions of Sale (“**Government Lease**”), the Deed of Mutual Covenant and Management Agreement (“**DMC**”) and the Occupation Permit (“**OP**”). Please refer to the paragraph headed “Business — Properties” in this prospectus for further details.

If any relevant government authority takes the view that the current uses of the two properties are not principally industrial activities, the current uses will not be in line with that permitted under the Government Lease, the DMC and/or the OP. In the event that the current uses of the properties contravene their permitted uses, we may have to relocate to other premises. There is no assurance that we can relocate our current headquarters and warehouse to suitable premises at similar rent level or on a timely basis for our operations. If we are unable to do so, we may experience interruption to our business operations.

We are exposed to foreign exchange risk arising from our business operations

Our sales are predominantly denominated in US\$, while our costs for raw materials such as leather are mainly denominated in US\$, HK\$ and EUR. Some of our costs, including wages of our PRC workers and salaries of our staff are denominated in RMB and HK\$. There were fluctuations in the exchange rate between HK\$ and other currencies due to changes in the international political and economic conditions and changes in the PRC Government’s policies. Accordingly, we are exposed to exchange rate risk. Furthermore, we are exposed to the risks associated with the exchange rate and currency conversion system in the PRC.

We did not hedge our foreign exchange risk during the Track Record Period. Please refer to note 5 (Financial instruments) of the Accountants’ Report set out in Appendix I to this prospectus for a sensitivity analysis on our profit during the Track Record Period in the event HK\$ had reasonably strengthened or weakened by 5% against RMB and EUR.

We are exposed to credit risks of our customers and if the financial position or creditworthiness of our customers deteriorates, we may not receive in time or at all the trade debts due from our customers and this may adversely affect our operation and financial position

We will grant credit period to some of our customers based on factors such as our years of relationship with them and their payment record, while in some cases, we require our customers to pay a deposit of 30% and settle the remaining balance after receiving our invoice. The complete financial and operational condition of our customers is not always available to us, and we may not be in any position to obtain such information. As a result, if any of our major customers experience

RISK FACTORS

any financial difficulty or the creditworthiness of our customers deteriorates, we may not receive in time or at all the trade debts due from our customers and our operation and financial position may be adversely affected.

Some of our customers are sensitive to social responsibility standards and if we have failed or are perceived to have failed to comply with these standards, these customers may choose not to continue their businesses with us

Brand owners and retailers are facing increasing pressure to ensure that labour practices and factory conditions in relation to their products meet certain social responsibility standards. Accordingly, a number of such brand owners and retailers, who are our customers, require their suppliers such as our Group to fulfil certain corporate social responsibility standards. Should we fail to fulfil such standards required or otherwise be publicly associated with poor social responsibility standards, these customers may discontinue their businesses with us and our financial results and business operations may be adversely and materially affected.

If there is any illegality of the sources of leather raw materials, our reputation, business and results of operations may be adversely affected

We have put in place internal control measures to ensure that the raw materials we purchased from our suppliers are from legitimate sources. Please refer to the paragraph headed “Business — Social responsibility compliance requirements” in this prospectus for details. Although we have adopted various measures to ensure the legality of the raw materials sourced by us to produce leather garment products, we cannot totally eliminate the possibility that the leather supplied by our suppliers is not from legitimate sources as claimed by our suppliers. In case there is any illegality of the sources of leather raw materials, our customers may discontinue their businesses with us and our reputation, business and results of operations may be adversely affected.

Environmental bodies may raise environmental concerns as to the use of leather as our raw materials in our products and it may adversely affect our business

Leather is the primary raw materials of our garment products and the leather raw materials used are usually animal hides and skins from lambs, sheep, goats, cows and pigs. Environmental bodies may raise concerns in relation to the environmental issues caused by the leather processing by tanneries. Although we source our leather raw materials from our suppliers and are not involved in the leather processing operations by tanneries, concerns may be raised by the environmental bodies as to the use of leather as our raw materials in our products. Any concerns raised by environmental bodies as to our use of leather may have an adverse impact on our business.

We may be subject to liability in connection with industrial accidents at our manufacturing facilities and this may have a negative impact on our business

Due to the nature of our operations, we are subject to the risks of our employees being exposed to industrial-related accidents. We cannot assure that industrial accidents, whether due to malfunctions of machinery or other reasons, will not occur in the future at our production facilities.

RISK FACTORS

Under such circumstances, our business and financial performance will be adversely affected. In such an event, we may be liable for loss of life and property, medical expenses, medical leave payments and fines and penalties for violation of applicable PRC laws and regulations. In addition, we may experience interruptions in our operations and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures to prevent accidents. Any of the foregoing could adversely affect our business, financial condition and results of operations.

Our insurance coverage may not be sufficient to cover the risks relating to our operations and potential losses and any losses or liabilities that are not covered may have a material adverse impact on our business and financial condition

Our operations are subject to hazards and risks that are typically associated with manufacturing operations which may cause significant injury or damage to person or property. We carry insurance to protect ourselves from a range of contingencies including, among others, risk of loss, theft of, and damage to, among others, property, plant and equipment in our production facilities. However, no assurance can be given that our insurance coverage will be able to cover all types of, or be sufficient to cover the full extent of any loss, theft, damage or injury to person or property for which we may be held liable.

We source raw materials and manufacture leather garment products according to the specifications of our customers and we have put in place quality control procedures in our production process. Nevertheless, there is no assurance that there will not be any product liability claim taken out against us. We do not maintain product liability insurance for our products. In the event that we are found to be liable for a product liability claim, our Group may incur significant costs and expenses to defend against such claims and to pay monetary damages. We may also be fined or sanctioned.

Any events and any losses or liabilities that are not covered by our current insurance policies may have a material adverse impact on our business, financial condition, results of operations and prospects.

Our Group may be ordered to make up any unpaid contributions to the social security insurance schemes and housing provident fund and may be subject to penalties which in turn may adversely affect our financial condition and reputation

As advised by our PRC Legal Advisers, under the applicable PRC laws and regulations, our PRC subsidiary, Foshan Shengli, is required to apply for social insurance registration and housing provident fund registration and make mandatory contributions to the social insurance schemes and housing provident fund for its employees.

However, Foshan Shengli has not fully contributed towards social insurance for its employees. It is estimated that the outstanding social insurance contributions which amounted to approximately RMB754,000 for the Track Record Period. Since September 2014 and up to the Latest Practicable Date, we have made social insurance contributions for our employees in compliance with the relevant PRC laws and regulations.

RISK FACTORS

As advised by our PRC Legal Advisers, pursuant to the relevant PRC laws and regulations, Foshan Shengli may be ordered to pay the unpaid social insurance amount accumulated from 1 July 2011 within a prescribed time limit and a daily default fine of 0.05% on any unpaid amount. In addition, a fine equivalent to one time to three times of the unpaid social insurance payment may be imposed on Foshan Shengli if it fails to make such payment within the prescribed time limit. For the outstanding social insurance contributions accumulated during the period from the establishment of Foshan Shengli up to 1 July 2011, Foshan Shengli may be ordered to pay the unpaid social insurance amounts within a prescribed time limit. If payment is not made within the prescribed time limit, there will be a daily default fine of 0.2% on any unpaid payment. In addition, if it refuses to make such payment and default fine within the prescribed time limit, the relevant PRC authorities may apply to People's Courts for mandatory enforcement of the collection.

Apart from the failure to make social insurance contributions, Foshan Shengli has not fully contributed towards the housing provident fund for all its employees. It is estimated that the outstanding housing provident fund contributions for the Track Record Period amounted to approximately RMB490,000. Since September 2014 and up to the Latest Practicable Date, we have made housing provident fund contributions for the employees of Foshan Shengli in compliance with the relevant PRC laws and regulations.

As advised by our PRC Legal Advisers, pursuant to the relevant PRC laws and regulations, Foshan Shengli may be ordered to pay a penalty between RMB10,000 and RMB50,000 if it fails to open housing provident fund accounts for its employees within the prescribed time limit and may be ordered to pay the unpaid housing provident fund contributions within a prescribed time limit.

Furthermore, relevant employees may take legal actions such as filing reports or complaints, against us in future in respect of our failure to make contributions to the social insurance and housing provident fund for such employees.

Please refer to the paragraph headed “Business — Legal proceedings and non-compliance” in this prospectus for further details.

In the event that the aforementioned penalties are imposed on our Group, or other administrative sanction is ordered by the relevant PRC authorities against us, for our previous failure to make full contributions to social insurance and/or housing provident fund for our employees, such penalties or administration sanction could adversely affect our financial condition and reputation.

There were two non-compliance incidents arising from the late lodgment of textile notifications for the import of textiles from the PRC into Hong Kong and if legal or administrative actions are taken against us, our financial condition and reputation may be adversely affected

During the Track Record Period, there were two non-compliance incidents where Perline failed to timely lodge textile notifications for the import of textiles from the PRC into Hong Kong. For further details of the two incidents, please refer to the paragraph headed “Business — Legal

RISK FACTORS

proceedings and non-compliance” in this prospectus. In connection with such non-compliance incidents, HK-TID issued two warning letters respectively to Perline. As at the Latest Practicable Date, Perline has not been subject to any legal or administrative proceedings in respect of such non-compliance incidents. Nevertheless, if legal action had been taken by HK-TID, Perline would have been liable on conviction to a maximum fine of HK\$500,000 and to imprisonment for no more than 2 years in addition to administrative actions that may be taken by HK-TID and our financial condition and reputation may be adversely affected.

We failed to comply with section 122 of the Predecessor Companies Ordinance and/or section 429 of the Companies Ordinance and if legal or administrative actions are taken against us, our financial condition and business operation may be adversely affected

There were some instances of non-compliance with section 122 of the Predecessor Companies Ordinance and/or section 429 of the Companies Ordinance where Perline failed to lay the annual accounts at the annual general meetings or within the prescribed period (i.e. no more than nine months from the closing date of a financial year) for the financial years ended 30 June 2002 to 30 June 2013 (except for the financial year ended 30 June 2009). For further details, please refer to the paragraph headed “Business — Legal proceedings and non-compliance” in this prospectus.

There is no assurance that the relevant authorities would not take any legal or administrative actions against Perline and/or its respective directors and officers in relation to the non-compliances. In the event that such legal or administrative actions are taken, they may be liable to maximum fines of HK\$300,000 and 12-month imprisonment (if the offence was committed willfully) and accordingly, our financial condition and business operation may be adversely affected.

If we fail to properly protect the intellectual property rights of our customers, we may be held liable for the infringements and this may adversely affect our financial condition, reputation and results of operations

Pursuant to the terms of the agreements between our customers and us, our customers retain exclusive ownership of all rights, title and interests in the intellectual properties of the products produced for them. We have obligations not to infringe their intellectual property rights and will be subject to liability if we are in breach of our obligations. Please refer to the paragraph headed “Business — Intellectual Property” in this prospectus for further details.

Nevertheless, there is no assurance that our internal control measures can adequately protect the intellectual property rights of our customers. If we fail to or are alleged to have failed to properly protect or have infringed the intellectual property rights of our customers, our reputation, business operations, financial condition and results of operations will be adversely affected.

RISK FACTORS

RISKS RELATING TO OUR INDUSTRY

We operate in a highly competitive industry and failure to maintain our competitive position may adversely affect our business

According to the Industry Report, the leather garment manufacturing industry in China in which we operate is fragmented and at a developing stage.

We face competition in terms of price, quality, reliability of timely delivery and ability to source various sorts of leather and manufacture products that meet their specific requirements. According to the Industry Report, leather garment manufacturers that supply to global leather garment retailers possess more advanced processing machineries, more skilful craftsmanship and have more stringent quality control procedures in place. In particular, this type of leather garment manufacturers with experience in providing leather processing services for global retailers is the most competitive. Our manufacturing process does not involve any machine-based automation, and we rely on our skilled and experienced workers to produce leather garment products for our customers. As such, we may not have enough production capacity to accept large purchase orders. There is no assurance that we can maintain our competitive edges over our competitors. Furthermore, any increase in the level of competition may further dilute the market share of our Group. Failure to maintain our competitive position may materially and adversely affect our business, financial condition, results of operations and prospects.

The exports of leather garment from China to the rest of the world are experiencing a downward trend, if the trend continues and the external demand for our leather garment products declines, our business, financial conditions, results of operations and prospects may be adversely affected

Our leather garment products are mainly exported to other countries. According to the Industry Report, the exports of leather garments from China to the rest of the world are experiencing a downward trend. The total export value of leather garments from China to the rest of the world from 2009 to first half of 2014 declined at a CAGR of about -7.6%, from about RMB5.3 billion in 2009 to about RMB3.9 billion in 2013. For further information, please refer to the section headed “Industry overview” in this prospectus. If this decreasing trend continues and the external demand for our leather garment products declines, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

Tighter import and export controls and additional trade restrictions could increase our operating costs and cause disruption to and may adversely affect our business

Import and export of apparel products are subject to certain import and export controls, including customs inspection and related procedures in countries of origin and destination as well as at transshipment points. Such inspection procedures can result in the seizure of apparel, delay in transshipment or delivery of products and the levying of customs duties, fines or other penalties

RISK FACTORS

against exporters or importers. If inspection procedures or other controls are further tightened, we may incur further costs and delays and it may adversely affect our business, financial condition and results of operations.

There is no assurance that we will not be subject to additional trade restrictions. Any increase in tariffs or quotas, embargoes and customs restrictions against apparel items could have an adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in China's economic, political and social conditions could adversely affect our business, financial condition and results of operations

Our manufacturing process is conducted in China. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political and social developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Since the late 1970s, the PRC Government has implemented economic reforms and measures emphasising on the utilisation of market forces in the development of the PRC economy, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises. Nevertheless, the PRC Government continues to play a significant role in regulating industrial development, allocation of natural resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Our business, financial conditions and results of operations may be adversely affected by the PRC Government's economic, political and social policies and regulations.

The legal system in China is not fully developed and has inherent uncertainties that could limit the legal protections available to our Shareholders

Our manufacturing process is principally conducted in China and is governed by PRC law, rules and regulations. Our PRC subsidiary, which is a WFOE, is generally subject to laws, rules, and regulations applicable to foreign investments in China. The PRC legal system is based on the Constitution of the PRC and is made up of written laws, regulations, directives and local laws and regulations. Prior court decisions may be cited for reference but have limited weight as precedents. Since the late 1970s, the PRC Government has significantly enhanced PRC legislation and regulations to provide protection to various forms of foreign investments in China. However, China has not developed a fully-integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activity in China. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As

RISK FACTORS

a result, we may not be aware of our violations of these policies and rules until some time after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and may result in substantial costs and the diversion of resources and management attention.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of the Placing to make additional capital contributions or loans to our PRC subsidiary

Although leather garment manufacturing industry is a light industry and accordingly requires a relatively small capital base, any capital contributions or loans that we, as an offshore entity, would like to make to our PRC subsidiary, including from the proceeds of the Placing, are subject to PRC regulations. For example, any of our loans to our PRC subsidiary cannot exceed the difference between the total amount of investment of which our PRC subsidiary is approved to make under relevant PRC laws and the registered capital of our PRC subsidiary, and such loans must be registered with the local branch of the SAFE. Furthermore, our capital contributions to our PRC subsidiary must be approved by the Commerce Authorities. There is no assurance that we will be able to obtain these approvals and registrations. If we fail to obtain such approvals and registrations, we may not be able to make equity contributions or provide loans to our PRC subsidiary, which may adversely affect our PRC subsidiary's liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments.

Our ability to pay dividends and utilise cash resources in our subsidiaries is dependent upon our subsidiaries' earnings and distributions and subject to the restrictions under the applicable PRC laws

Our Company is a holding company. Our turnover is generated from our business operations conducted through our subsidiaries. Our Company's ability to make dividend payments and other distributions in cash, pay expenses, service any debts incurred, and finance the needs of other subsidiaries, depends upon the receipt of dividends, distributions or advances from our subsidiaries. The ability of our subsidiaries to pay dividends or other distributions may be subject to their earnings, financial positions, cash requirements and availability, applicable laws, rules and regulations, and restrictions on making payments to our Company contained in financing or other agreements. These restrictions could reduce the amount of dividends or other distributions that our Company receives from our subsidiaries, which could in turn restrict our ability to fund our business operations and to pay dividends to our Shareholders. Our Company's future declaration of dividends may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

Furthermore, our PRC subsidiary is required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year to their respective reserve funds in accordance with the requirements of relevant PRC laws and provisions in their respective articles of associations. Our PRC subsidiary is thus restricted in their ability to transfer a portion of their net income to us in the form of dividends, even though our PRC subsidiary is not our main source of dividends. Distributions by our PRC subsidiary to our Company in forms other than dividends may

RISK FACTORS

be subject to government approval and taxes. These limitations on the flow of funds between and amongst us and our PRC subsidiary could restrict our ability to respond to changing market conditions or appropriately allocate funds to our PRC subsidiary in a timely manner, or at all.

PRC Government control over currency conversion may negatively affect the business operations of our Group

RMB is currently not a freely convertible currency. Both the conversion of RMB into any other currencies and the conversion of foreign currencies into RMB for use in the PRC are regulated by the PRC Government. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where RMB is to be converted into foreign currency and remitted out of PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiary to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations.

Negative publicity on PRC products may materially and adversely affect our business and reputation

Our manufacturing activities are located and carried out in the PRC. There have been incidents in the past which involved serious allegations of China-made products containing harmful types or levels of chemicals. If similar incidents occur again, their associated negative publicity may have an adverse impact on the general manufacturing sector in the PRC and may indirectly create an adverse impact on our business. This may negatively impact on our profitability. Our business, financial condition, results of operations and growth prospects may also be materially and adversely affected.

RISKS RELATING TO PLACING AND OUR SHARES

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

Prior to the Placing, there has not been a public market for our Shares. There is no assurance that an active or liquid public market for our Shares will develop or be sustained if developed. An investor who purchases our Shares in the Placing may not be able to resell such Shares at or above the Placing Price. The market price of our Shares may decline below the initial Placing Price.

RISK FACTORS

The price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing our Shares in Placing

The market price of our Shares or trading volume of our Shares could be affected by variations in our revenue, earnings and cash flows, new investments, acquisitions or alliances, regulatory developments, industrial accidents suffered by our Group, litigation and change of key personnel. The Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. They could also be adversely affected by factors beyond our control and unrelated to our business performance such as downturn of the global economy.

Investors may experience dilution if we issue additional Shares in the future

We may need to raise additional funds in the future to finance our business development or expansion. If the funds required are raised through issuing new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in the Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Placing Shares.

Future sale or major divestment of shares by any of our Substantial Shareholders or Controlling Shareholders could adversely affect the prevailing market price of our Shares

Certain Substantial Shareholders and Controlling Shareholders are subject to restrictions not to dispose of their Shares within the lock-up periods, the details of which are set out in the section headed “Underwriting” in this prospectus. However, there is no assurance that after the lock-up periods expire these Shareholders will not dispose of any Shares. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, may materially and adversely affect the prevailing market price of our Shares.

Prior dividends distributions are not an indication of our future dividend policy and we may not be able to pay any dividends on our Shares

Our Company has not declared or paid any dividend since the date of incorporation up to the Latest Practicable Date. Perline, a subsidiary of our Company, declared dividends of approximately HK\$6.0 million and HK\$3.2 million to its then shareholders for the two years ended 30 June 2014 respectively. The dividend of HK\$6.0 million for the year ended 30 June 2013 was fully paid in 2014. For the year ended 30 June 2014, pursuant to a resolution passed in October 2014, declaration by Perline of dividends of HK\$3.2 million attributable to the year ended 30 June 2014 was approved and such dividend was fully paid in December 2014. However, historical dividend distributions are not indicative of our future distribution policy and we can give no assurance that dividends of similar amounts or at similar rates will be paid in the future.

Any future dividend declaration and distribution by us will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem

RISK FACTORS

relevant. Any declaration and payment as well as the amount of dividends will also be subject to our constitutional documents and the Companies Law, including (where required) the approval of shareholders. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiary in the PRC, which is subject to restrictions described in “Our ability to pay dividends and utilise cash resources in our subsidiaries is dependent upon our subsidiaries’ earnings and distributions and subject to the restrictions under the applicable PRC laws” above. For further details of our dividend policy, please see the paragraph headed “Financial Information — Dividends” in this prospectus.

Therefore, we cannot guarantee when, if and in what form dividends will be paid on our Shares following the Placing. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

Investors should not place undue reliance on facts, forecasts and other statistics in this prospectus relating to the economy and our industry obtained from public or official sources

The prospectus contains facts, forecasts and other statistics relating to the economy and the industry in which we operate our business that have been derived from various publications and industry-related sources prepared by government officials or Independent Third Parties. The Directors believe that there are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Furthermore, we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted.

Nevertheless, there is no assurance or we cannot make any representation as to the accuracy or completeness of such information. Such information has not been independently verified, as to their accuracy or completeness by our respective affiliates or advisers, the Sponsor, the Underwriters or any of their affiliates or advisers, nor any other party involved in the Placing and no representation is given as to its accuracy. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry derived from various public or governmental sources used in this prospectus may not be consistent with other information available from other sources and therefore, investors should not unduly rely upon such facts, forecasts and statistics while making investment decisions.

Investors should not place undue reliance on information in this prospectus which is not factual but hypothetical in nature such as analyses based on assumptions

Information in this prospectus which is not factual but hypothetical in nature including but not limited to any sensitivity analysis on our historical financial data is based on assumptions and is for reference only and should not be viewed as actual effect. Such information by no means reflects our Group’s historical experience and financial results. Prospective investors should not place undue reliance on such information.

RISK FACTORS

Our future results could differ materially from those expressed or implied by the forward-looking statements

The forward-looking statements included in this prospectus are based on various assumptions. There are also uncertainties, risks and other unforeseen factors which may cause our actual performance or achievements to be materially different from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking statements” in this prospectus.

The interests of our Controlling Shareholders may not always coincide with our interests and those of our other shareholders

Immediately following completion of the Placing and Capitalisation Issue (and taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), BVI-Cheung will directly hold approximately 51% of the issued share capital of our Company. Our Controlling Shareholders will be in a position which has significant influence over the operations and business strategy of our Company, and may have the ability to require us to effect corporate actions according to their own desires. The interests of our Controlling Shareholders may not always coincide with our or your best interests. If the interests of any of our Controlling Shareholders conflict with our and/or your interests, our Company or those other Shareholders, including you, may be adversely affected as a result.

There may be difficulties in protecting your interests because our Company is incorporated under the Companies Law in the Cayman Islands

Our corporate affairs are governed by our memorandum of association and articles of association and by the Companies Law and common law of the Cayman Islands. The law of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. Such differences may mean that our minority shareholders may have less protection than they would have under the laws of Hong Kong and other jurisdiction. For more details, please see the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix IV to this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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 WUMP Ordinance, the Securities and Futures (Stock Market Listing) Rules and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING OF PLACING SHARES

This prospectus is published solely in connection with the Placing which is sponsored by the Sponsor and managed by the Joint Bookrunners. The Placing Shares will be fully underwritten by the Underwriters pursuant to the Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" of this prospectus.

DETERMINATION OF THE PLACING PRICE

The Placing Shares are being offered at the Placing Price which will be determined by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company at or before 5:00 p.m. on Friday, 6 February 2015, or such later date or time as may be agreed by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company. The Placing Price is currently expected to be not more than HK\$0.60 per Placing Share and not less than HK\$0.55 per Placing Share.

If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Placing Price at or before 5:00 p.m. on Friday, 6 February 2015, or such later date or time as may be agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, the Placing will not become unconditional and will not proceed.

An announcement of the level of indication of interest in the Placing and the basis of allocation of the Placing Shares is expected to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.odella.com on or before Wednesday, 11 February 2015.

SELLING RESTRICTIONS

Each person acquiring the Placing Shares will be required to confirm or by his/her acquisition of the Placing Shares will be deemed to confirm that he/she is aware of the restrictions on the placing of the Placing Shares described in this prospectus and that he/she is not acquiring, and has not been offered, any Placing Shares in circumstances that contravene any such restrictions. Save as mentioned above, no action has been taken in any jurisdiction other than in Hong Kong to permit a placing or the general distribution of this prospectus. Accordingly, this prospectus may not be used

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

for the purpose of, and does not constitute, an offer or invitation in relation to the Placing in any jurisdiction or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Prospective investors for the Placing Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions.

INFORMATION ON THE PLACING

The Placing Shares are offered for subscription solely on the basis of the information contained, and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or employees or any other persons involved in the Placing.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM.

Save as disclosed herein, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under Section 44B(1) of the Companies WUMP Ordinance, any allotment or transfer made in respect of any placing of the Placing Shares will be void if permission for the listing of, and dealing in, the Shares on GEM is refused before the expiration of three weeks from the date of closing of the Placing or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors for the Placing Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in our Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and their respective directors or employees or any other persons involved in the Placing accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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.

HONG KONG BRANCH SHARE REGISTRAR AND STAMP DUTY

All the Shares will be registered on the branch register of members of our Company in Hong Kong to be maintained in Hong Kong by our branch share registrar, Tricor Investor Services Limited. Dealings in the Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on our principal register of members in the Cayman Islands will not be subject to Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.

REGISTER OF MEMBERS

Our fully-paid Shares are freely transferable. The Shares may be registered on the principal register of members in the Cayman Islands or on the branch register of members of our Company in Hong Kong.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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

COMMENCEMENT OF DEALING IN THE SHARES

Dealing in the Shares on GEM is expected to commence on Thursday, 12 February 2015 under the GEM stock code 8093. Shares will be traded in board lot of 5,000 Shares each.

Our Company will not issue any temporary document of title.

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure and conditions of the Placing are set out in the section headed "Structure and conditions of the Placing" of this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in US dollars and Renminbi and Hong Kong dollars. No representation is made and none should be construed as being made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all on such date or any other date. Unless indicated otherwise, the translations between US dollars and Hong Kong dollars were made at the rate of US\$1.00 to HK\$7.78 and the translations between Renminbi and Hong Kong dollars were made at the rate of RMB0.79165 to HK\$1.00, being the PBOC rate prevailing on the Latest Practicable Date.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the translated English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total individual items. When information is presented in thousands or million of units, amounts may have been rounded up or down.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Ms. CHEUNG Woon Yiu (張煥瑤 alias Idy Cheung)	10/F 112 Tin Hau Temple Road Hong Kong	Chinese
Ms. LAM Wai Si Grace (林慧思)	12 Bellevue Drive Repulse Bay Hong Kong	Canadian
Mr. CHING Wai Man (程偉文 alias Ramond Ching)	Flat A, 6/F, Tower 3 2 Po On Road, Cronin Garden Sham Shui Po, Kowloon Hong Kong	Chinese
<i>Non-executive Director</i>		
Ms. NG Lai Hung (吳麗虹)	Flat 12G, Block 7 Whampoa Garden, Site 12 Hung Hom, Kowloon Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. WONG Wai Kong (黃偉桃)	Flat A, 21/F, Tower 6 33 Tsing King Road, Phase 1 Tierra Verde Tsing Yi, New Territories Hong Kong	Chinese
Mr. HOW Sze Ming (侯思明)	Flat D, 50/F, Tower 3 Metro Town Tseung Kwan O, New Territories Hong Kong	Chinese
Mr. Philip David THACKER	Ryoka Yoyogi Building, 7F Sendagaya 4-2-12 Tokyo 151-0051 Japan	British

Further information of our Directors are disclosed in the section headed “Directors, senior management and staff” of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED IN THE PLACING

Sponsor	Halcyon Capital Limited 11/F, 8 Wyndham Street Central Hong Kong
Joint Bookrunners, Joint Lead Managers and Underwriters	Halcyon Securities Limited 11/F, 8 Wyndham Street Central Hong Kong Ping An Securities Limited 15/F, 122 QRC 122 Queen's Road Central Central Hong Kong Pacific Foundation Securities Limited 11/F, New World Tower Two 16-18 Queen's Road Central Central Hong Kong
Joint Lead Managers and Underwriters	Astrum Capital Management Limited 11/F, 122 QRC 122-126 Queen's Road Central Central Hong Kong Finet Securities Limited 30/F, Fortis Tower 77-79 Gloucester Road Wanchai Hong Kong
Legal adviser to our Company as to Hong Kong law	Chiu & Partners 40/F, Jardine House 1 Connaught Place Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

**Legal adviser to our Company
as to PRC law**

GFE Law Office
18/F, Guangdong Holdings Tower
No. 555, Dongfeng East Road
Guangzhou
PRC

**Legal adviser to our Company
as to Cayman Islands law**

Conyers Dill & Pearman (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

**Legal adviser to the Sponsor and
the Underwriters
as to Hong Kong law**

Deacons
5/F
Alexandra House
18 Chater Road
Central
Hong Kong

**Legal adviser to the Sponsor and
the Underwriters
as to PRC law**

Global Law Office
30/F
Shanghai Square
No. 138, Middle Huai Hai Road
Shanghai 200021
PRC

Auditors and reporting accountants

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark, 11 Pedder Street
Central
Hong Kong

Compliance adviser

Halcyon Capital Limited
11/F, 8 Wyndham Street
Central, Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive, PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Unit 1701 Treasure Centre 42 Hung To Road Kwun Tong, Kowloon Hong Kong
Company's website	<u>www.odella.com</u> <i>(Note: information on this website does not form part of this prospectus)</i>
Company secretary	Mr. CHAN Hing Yik (CPA) Flat D, 33/F Block 2 Beverly Garden Tseung Kwan O New Territories Hong Kong
Authorised representatives	Ms. CHEUNG Woon Yiu 10/F 112 Tin Hau Temple Road Hong Kong Mr. CHAN Hing Yik (CPA) Flat D, 33/F Block 2 Beverly Garden Tseung Kwan O New Territories Hong Kong
Audit committee	Mr. WONG Wai Kong (Chairman) Mr. HOW Sze Ming Mr. Philip David THACKER
Remuneration committee	Mr. HOW Sze Ming (Chairman) Ms. LAM Wai Si Grace Mr. WONG Wai Kong

CORPORATE INFORMATION

Nomination committee	Ms. CHEUNG Woon Yiu (<i>Chairman</i>) Mr. WONG Wai Kong Mr. HOW Sze Ming
Corporate governance committee	Ms. NG Lai Hung (<i>Chairman</i>) Mr. WONG Wai Kong Mr. HOW Sze Ming Mr. Philip David THACKER
Principal share registrar and transfer office	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banker	Chong Hing Bank Limited Ground Floor, Chong Hing Bank Centre 24 Des Voeux Road Central Hong Kong

REGULATIONS

This section sets forth summaries of the most significant laws and regulations applicable to our operations and businesses in Hong Kong and the PRC.

HONG KONG

Import and Export Ordinance

The IAE Ordinance came into effect in 1972. It is a statute which provides for the regulation and control of, among other things, the import and export of articles into or out of Hong Kong.

General — lodging of import or export declarations with HK Customs

Under the IAE Ordinance, import and export of “prohibited articles” (as defined under the IAE Ordinance) require permission licences issued by HK-TID. Leather, leather products and textiles are currently not “prohibited articles” under the provisions of the IAE Ordinance or its subsidiary legislation. Accordingly, import and export of leather and textiles as raw materials and leather products generally do not require a permission licence to be issued by HK-TID under the IAE Ordinance, where import or export of textiles to or from particular countries was subject to a licensing regime as mentioned in the sub-paragraph headed “Licensing regime for import and export of textiles” below.

Under the IAE Registration Regulations, an importer of leather, leather products or textiles is under an obligation to lodge with HK Customs an accurate and complete import declaration through a specified provider of “Government Electronic Trading Services” within 14 days from the date of import, unless there is a reasonable excuse. A similar obligation is imposed on an exporter of leather, leather products or textiles under the IAE Registration Regulations. In such connection, our Group is obliged to lodge import and export declarations with HK Customs under the IAE Registration Regulations in connection with the import and export of leather, leather products or textiles.

Failure to lodge such declaration within the prescribed 14-day period, with or without reasonable excuse, will result in the imposition of an administrative penalty (which ranges from HK\$20 to HK\$200 per incident depending on the time of lodging the declaration and the total value of the articles specified in the declaration) under Regulation 7 of the IAE Registration Regulations. In addition, lodgment of declaration beyond the prescribed 14-day period without reasonable excuse (or where there is a reasonable excuse, but lodgment is not made as soon as is practicable after the cessation of such excuse) is, if prosecuted and convicted, a criminal offence and, in addition to the said administrative penalty, a fine of HK\$1,000 (plus daily fines of HK\$100) will be imposed under Regulation 4 or 5 of the IAE Registration Regulations.

REGULATIONS

Further, under Regulation 4 or 5 of the IAE Registration Regulations, any person who knowingly or recklessly lodges any declaration that is inaccurate in any material particular shall, if prosecuted and convicted, be guilty of a criminal offence and shall be liable to a fine of HK\$10,000.

In our business operation, we are generally required to lodge import (or, as the case may be, export) declarations for (a) import of leather as raw materials from overseas to Hong Kong; (b) export of (among other raw materials) such leather from Hong Kong to Foshan Factory for processing; (c) import of the processed leather garments from Foshan Factory to Hong Kong; and (d) export of the finished leather garments from Hong Kong to overseas.

Licensing regime for import and export of textiles

During the Track Record Period and up to 20 November 2014, in general, (i) imports and exports of textiles (which do not include leather products) from or to the PRC and (ii) exports of textiles to the US were subject to the licensing requirements under the IAE Ordinance. Such licences were administered by HK-TID. For clarity purpose, no licences were required for textiles imports from places other than the PRC, nor were any licences required for textiles exports to places other than the PRC and the US.

In our business operation, we may import textiles or leather garments with high textiles components from the PRC. We may also export leather garments with high textile components to the US. In addition, the leather garments manufactured by the Group in the PRC and imported back to Hong Kong may have textile components, and the raw materials of such textile components may sometimes be exported from Hong Kong to the Foshan Factory in the PRC. In such cases, Perline was then generally subject to the said textiles licensing requirements. For the avoidance of doubt, leather and leather garments which did not have textile components or merely have low textile components were generally not subject to the said textiles licensing requirements.

During the Track Record Period and up to 20 November 2014, Textiles Trader Registration Scheme (or TTRS) was a scheme whereby traders registered as a “textiles trader” under it and during the validity period of such registration, were (subject to their compliance with certain prescribed conditions) exempted from the textiles licensing requirements of the IAE Ordinance in respect of textiles which fell within the scope of TTRS. It has been in operation since July 1993. When a registered textiles trader relied on the exemption granted to him under TTRS to import or export such textiles, he was simply required to cover such imports and exports with self-completed notifications setting out particulars of the consignments. Traders who did not wish to participate in TTRS may make use of the licensing service provided by HK-TID. From the commencement of TTRS up to 31 December 2004, it generally covered (among others) (a) import of textiles from any country or place and (b) export of textiles that were not entitled to a certificate of Hong Kong origin to any country or place. From 1 January 2005 up to 19 May 2011, TTRS generally covered (among others) (a) import and export of textiles from or to the Mainland and (b) exports of textiles to those economies which invoked safeguard measures against textiles and clothing products of the

REGULATIONS

Mainland. Starting from 20 May 2011, TTRS covered (a) imports of textiles from the PRC; (b) exports of textiles to the PRC; and (c) exports of textiles to the US. Registration under TTRS then was (and is still) valid for 12 months and may be renewable.

Perline has since 1993 been registered as a textiles trader under TTRS under the IAE General Regulations. It hence was exempted from the then textiles licensing requirements under the IAE Ordinance and for import or export of textiles to the designated countries as mentioned above in accordance with the IAE General Regulations. Such exemption was valid to the extent of (and subject to the compliance with) the conditions of exemption under the IAE General Regulations, TTRS and such other conditions as set out on any textiles notifications. The exemption conditions might also be altered by the circulars which may be issued by HK-TID from time to time.

The textiles licensing regime was modified with effect from 21 November 2014 pursuant to which import or export of textiles no longer required any import or export licence under the IAE Ordinance. Hence, from such date onward, Perline is no longer required to lodge textile notifications under TTRS for its import of textiles from the PRC and export of textiles to the PRC and the US. Voluntary registration service under TTRS, however, is still provided by HK-TID.

Enquires with HK Customs and HK-TID

In September 2014, we made enquiries with HK Customs and HK-TID, and their replies indicated that, there was no record of any criminal prosecutions instituted or administrative actions (save for the two warning letters given by HK-TID to Perline as mentioned in the paragraph headed “Business — Legal proceedings and non-compliance” in this prospectus) taken against Perline or its directors, which fell under the purview of HK Customs or HK-TID. HK-TID further indicated that its reply was based on its available records in respect of textiles import or export licensing and TTRS in the past two years.

Our Directors confirm that during the Track Record Period and save as disclosed in the paragraph headed “Business — Legal proceedings and non-compliance” in this prospectus, our Group complied with the relevant provisions under the IAE Ordinance and its subsidiary legislation.

Employment and labour legislation

The principal employment and labour statutes in Hong Kong include the Employment Ordinance, the Employees Compensation Ordinance, the MPF Ordinance and the Minimum Wage Ordinance.

The Employment Ordinance is an ordinance enacted for, among other things, the protection of the wages of employees and the regulation of the general conditions of employment and employment agencies. Under the Employment Ordinance, an employee is generally entitled to, among other things, notice of termination of his or her employment contract; payment in lieu of notice; maternity protection in the case of a pregnant employee; not less than one rest day in every period of seven days; severance payments or long service payments; sickness allowance; statutory holidays or alternative holidays; and paid annual leave of up to 14 days depending on the period of

REGULATIONS

employment. Our Directors confirm that no legal proceedings (whether criminal or civil) have been instituted, brought or continued against us for violation or non-compliance of the Employment Ordinance up to the Latest Practicable Date.

The Employees Compensation Ordinance is an ordinance enacted for the purpose of providing for the payment of compensation to employees injured in the course of employment. As stipulated by the Employees Compensation Ordinance, an employer is required to take out an insurance policy to insure against the injury risk of his or her employees. Any employer who contravenes this requirement commits a criminal offence and is liable on conviction to a fine and imprisonment. An employer who has taken out an insurance policy under the Employees Compensation Ordinance is required to display a prescribed notice of insurance in a conspicuous place on each of its premises where any employee is employed. Our Directors confirm that at all times during the Track Record Period, Perline has been the employer of all of our Group's staff in Hong Kong and has maintained an insurance policy under the Employees Compensation Ordinance, with the requisite notice of insurance.

The MPF Ordinance is an ordinance enacted for the purposes of providing for the establishment of non-governmental mandatory provident fund schemes (“**MPF Schemes**”). Under the MPF Ordinance, every employer of an employee of 18 years of age or above (but below the retirement age) is required to take all practical steps to ensure that the employee becomes a member of a registered MPF Scheme. Any employer who contravenes this requirement commits a criminal offence and is liable on conviction to a fine and imprisonment. If an employer has complied with such requirement to the satisfaction of the Mandatory Provident Fund Schemes Authority, a certificate will be issued to the employer, certifying that the employer is a participating employer in the specified MPF Scheme. At all times during the Track Record Period, Perline has been a certified participating employer in a registered MPF Scheme known as “Manulife Global Select (MPF) Scheme”.

The Minimum Wage Ordinance is a statute enacted for the purposes of providing for a minimum wage at an hourly rate for most employees. It came into effect on 1 May 2011. For the period commencing 1 May 2011 and ended 30 April 2013, the minimum hourly wage rate for an employee (other than an employee with disability) was HK\$28 per hour. It has been increased to HK\$30 per hour since 1 May 2013. In January 2015, it was promulgated that the Chief Executive in Council adopted the recommendation of the Minimum Wage Commission to raise the statutory minimum wage rate to HK\$32.5 per hour. Subject to the approval of the Legislative Council, the revised statutory minimum wage rate may take effect from 1 May 2015.

During the Track Record Period, our Group was in compliance with the relevant provisions of the above employment and labour legislations.

Protection of Endangered Species of Animals and Plants Ordinance

Both PRC and Hong Kong are parties to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (“**CITES**”). The Protection of Endangered Species of Animals and Plants Ordinance (Chapter 586 of the Laws of Hong Kong, “**PESAP Ordinance**”) came into effect

REGULATIONS

on 1 December 2006 to give effect to the CITES in Hong Kong. The importation, introduction from the sea, exportation, re-exportation and possession or control of specified endangered species of animals and plants, whether alive, dead, its parts or derivatives (including medicines) of those species, are thus regulated under the PESAP Ordinance. Schedule 1 to the PESAP Ordinance sets out a list of species and categorises them into different appendices which are regulated with varying degrees of control under the PESAP Ordinance.

Leathers currently imported and used by us (namely, sheepskin, goatskin, lambskin, lambswool shearling, cowhide and pigskin) in the manufacture of leather garments do not fall under Schedule 1 to the PESAP Ordinance.

Compliance with Hong Kong laws and regulations

Save as disclosed in the paragraph headed “Business — Legal proceedings and non-compliance” in this prospectus, we have obtained all licenses, permits or certificates necessary to conduct our operations from the relevant governmental bodies in Hong Kong, and Perline in conducting its business has since the commencement of the Track Record Period and up to the Latest Practicable Date been in compliance with all relevant laws and regulations in Hong Kong in all material respects.

THE PRC

Categories of Foreign Investment

Investment in the PRC conducted by foreign investors and foreign investment enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) (the “**Catalogue**”), which was amended and promulgated by MOFCOM and the National Development and Reform Commission (國家發展和改革委員會) on 24 December 2011. The Catalogue, as amended, became effective on 30 January 2012 and contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign investment. Any industry not listed in the Catalogue is a permitted industry.

Dividend Distribution

The principal laws governing dividend distributions by Foshan Shengli include the PRC Company Law, the PRC Wholly Foreign Owned Enterprise Law (中華人民共和國外資企業法) and Rules for the Implementation of the PRC Wholly Foreign Owned Enterprise Law (中華人民共和國外資企業法實施細則). Under these laws and regulations, PRC companies, including domestic companies and WFOEs, are required to set aside each year at least 10% of their after-tax profit based on PRC accounting principles to their statutory surplus reserve until the cumulative amount of such reserve reaches 50% of their registered capital. Furthermore, WFOEs may also be required to set aside funds for employee bonus and welfare, at the discretion of such PRC companies and as

REGULATIONS

stipulated in their articles of association. WFOEs shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Violation of the abovementioned laws, regulations or rules may result in orders to make full allocation of required funds, and imposition of fines.

Processing Trade

Our Group's products are to a large extent manufactured by the Foshan Factory pursuant to processing arrangement made between Foshan Shengli and Perline. For further details, please refer to the paragraph headed "Business — Production — Processing Arrangement" of this prospectus. In such connection, according to Administration of the Examination and Approval of Processing Trade Tentative Procedures (加工貿易審批管理暫行辦法) promulgated by MOFCOM on 27 May 1999 and effective as from 1 June 1999, operating enterprises (i.e. (i) import and export enterprises or foreign-invested enterprises responsible for signing importing or exporting contracts the concerning processing trade; and (ii) processing and assembling companies licensed for processing trade business with imported materials and parts) dealing with processing trade shall apply to the competent Commerce Authority for approval. Processing trade, including Processing of Supplied Materials (來料加工) and Processing of Purchased Materials (進料加工), means the operation in which all or part of raw materials, accessories, spare parts, components, packing materials in bond are imported, and then processed or assembled by domestic enterprises into finished products for export. The State classifies processing trade import merchandise into prohibited category, restricted category and permitted category, and prohibits processing trade business involving imported materials and parts belonging to the prohibited merchandise category. An operating enterprise must process and export in accordance with Processing Trade Business Approval Certificate (加工貿易業務批准證). If it is necessary to change some of the particulars of the project due to objective factors, the operating enterprise must report to the original examination and approval authority for its approval before the deadline specified in Processing Trade Business Approval Certificate, and go through change-related formalities with the Customs.

Pursuant to the Notice of the State Council on the Implementation of Decision of the Standing Committee of the NPC on Authorizing the State Council to Temporarily Adjust Certain Administrative Approval Items Prescribed in Laws in Guangdong Province (國務院關於執行《全國人民代表大會常務委員會關於授權國務院在廣東省暫時調整部分法律規定的行政審批的決定》的通知) ("Notice 9") promulgated by the State Council on 13 January 2013, the approvals of both the processing trade business and the domestic sales of the bonded imported materials or the exported-oriented manufactured goods of the processing trade business are ceased temporarily in Guangdong Province with a trial period of three years. To this end, the Bureau of Foreign Trade and Economic Cooperation of Guangdong Province (廣東省對外貿易經濟合作廳) and Guangdong Sub-Administration of General Administration of Customs of the PRC (海關總署廣東分署) promulgated the Notice of the Bureau of Foreign Trade and Economic Cooperation of Guangdong Province and Guangdong Sub-Administration of General Administration of Customs of the PRC on

REGULATIONS

the Implementation of the Relevant Works of Ministry of Commerce of the PRC and General Administration of Customs of the PRC on the Reformation of the Approval of Processing Trade in Guangdong Province (廣東省外經貿廳海關總署廣東分署貫徹落實商務部海關總署關於廣東省加工貿易審批改革有關工作的通知) (“Notice 68”) on 8 August 2013. According to Notice 68, enterprises in Guangdong Province should conduct the cargo filing procedure of processing trade business in customs with the Certificate of State of Operation and Production Capacity of the Trade Processing Enterprise (加工貿易企業經營狀況及生產能力證明) issued by the competent Commerce Authority and relevant documents required by customs.

Customs

Pursuant to the Customs Law of the PRC (中華人民共和國海關法), promulgated by the Standing Committee of NPC on 22 January 1987 and revised on 28 December 2013, all import goods throughout the period from entering the territory to Customs clearance, and all export goods throughout the period from declaration to departure from the territory shall be subject to Customs control. Each of the consignee of import goods and the consigner of export goods shall make a truthful declaration and submit the import or export licence and relevant papers to the customs office for inspection. Enterprises or individuals engaged in customs declarations without registration or qualification shall be subject to fines, with their illegal income confiscated. The Customs Law also stipulates that enterprises engaging in processing trade shall file to the Customs with the relevant approval documents and processing trade contract; manufactured goods from the processing trade shall be re-exported within the prescribed period; if bonded imported materials or manufactured goods from the processing trade are transferred for domestic sales for some reason, the Customs shall collect duties for the bonded imported materials according to the law with the domestic sales approval documentation.

According to the Administrative Provisions of the PRC on Registration of the Customs Declaring 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 of the PRC on 13 March 2014, a declaring entity shall go through the registration procedures at the customs in accordance with these provisions. Registration of declaring entities shall be divided into the registration of declaring enterprises and the registration of consignees or consignors of imported or exported goods.

Foreign Exchange Regulation

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例) which was promulgated by the State Council on 29 January 1996, became effective on 1 April 1996 and was subsequently amended on 14 January 1997 and 1 August 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定), which was promulgated by PBOC on 20 June 1996 and became effective on 1 July 1996. Under these rules and other PRC rules and regulations on currency conversion, Renminbi is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside the PRC unless prior approval of

REGULATIONS

SAFE or its local counterpart is obtained. Foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain supporting documents (such as board resolutions), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain their current exchange earnings derived from current account transactions below the ceiling prescribed by SAFE. Foreign exchange transactions in respect of capital account items, such as direct investment, loans, securities investment and repatriation of investment, remain subject to the approval of SAFE.

According to the Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) promulgated by SAFE on 29 August 2008, the RMB fund from the settlement of foreign currency capital of a foreign-invested enterprise shall be used within the business scope as approved by relevant governmental authorities, and shall not be used for equity investment unless otherwise specifically provided for. Except foreign-invested real estate enterprises, no foreign-invested enterprise shall use the RMB fund from the settlement of foreign currency capital to purchase domestic real estate for any purpose other than its own use. When using the RMB fund from the settlement of foreign currency capital for any securities investment, a foreign-invested enterprise shall follow relevant provisions of the State. Further, it cannot be used to repay RMB loans if the proceeds of such loans have not yet been used.

Taxation

Enterprise Income Tax

According to the EIT Law, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), which was promulgated by the State Council on 6 December 2007 and became effective on 1 January 2008, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside the PRC at the rate of enterprise income tax of 25%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay enterprise income tax on its income deriving from the PRC and obtained by such establishment or place of business, as well as on its income generated from outside the PRC but has actual relationship with such establishment or place of business, at the rate of enterprise income tax of 25%. A non-resident enterprise that does not have an establishment or place of business in the PRC, or has an establishment or place of business in the PRC but the income has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from the PRC at a reduced rate of enterprise income tax of 10%.

The EIT Law stipulates that, with regard to business transactions between an enterprise and its related parties which are not in conformity with the principle of independent transaction and result in reduction of the amount of taxable income or income of such enterprise or its related parties, the tax authority shall have the right to make reasonable adjustments thereto. The EIT Law further

REGULATIONS

requires the enterprise to attach an annual report on related party transactions (if any) between the enterprise and its related parties when submitting its annual enterprise income tax return to the tax authority.

According to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) and the Notice of the State Administration of Taxation on the Issues relating to the Administration of the Dividend Provision in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知), the withholding tax on dividends paid by a PRC company to the beneficial owner which is a Hong Kong resident is no more than 5% of the gross amount of the dividends, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company at all times within the 12-month period immediately prior to distribution of the dividends. In any other case, the tax so charged shall not exceed 10% of the gross amount of the dividends. In according with the Notice on How to Understand and Define the “Beneficial Owner” Stipulated in the Tax Arrangements (關於如何理解和認定稅收協定中「受益所有人」的通知) promulgated by the SAT on 27 October 2009, the “beneficial owner” shall be the person entitled to be the ownership and control of the income or rights and property incurred from the income. The agent, tube company shall be excluded from “the beneficial owner”. The Notice further stipulated, the tube company means the company established for the purpose of avoiding or reducing tax, transfer or accumulation of profit. Such company is only registered in the country of domicile to satisfy the organizational form as required by law, but it does not engage in such substantial business operations as manufacturing, distribution and management.

According to the Circular of State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-residents to Enjoy the Treatment Under Taxation Treaties (for Trial implementation) (國家稅務總局關於印發《非居民享受稅收協定待遇管理辦法(試行)》的通知), where a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the favorable tax benefits under the tax arrangements, it shall submit an application for approval to the competent tax authority. Without being approved, the non-resident enterprise may not enjoy the favorable tax treatments provided in the tax agreements.

The Circular of State Administration of Taxation on Strengthening Enterprise Income Tax Management on Non-resident Enterprises Equity Transfer Income (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知), which was issued by SAT on 10 December 2009 and became effective on 1 January 2008, provides that except for the purchase and sale of equity through a public securities market, where a foreign corporate investor indirectly transfers the equity of a PRC resident enterprise by disposing the equity of an overseas holding company (“**Indirect Transfer**”) located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5%; or (ii) does not tax its residents on their foreign income, the foreign corporate investor shall report the Indirect Transfer to the competent PRC tax authority within 30 days from the date when the equity transfer agreement was made. In this case, the PRC tax authority will examine the true nature of the Indirect Transfer. Should it deem the foreign investor to have made the Indirect Transfer without

REGULATIONS

reasonable commercial purpose and in order to avoid the PRC tax, the PRC tax authority may disregard the existence of the overseas holding company that is used for tax planning purpose and re-characterize the Indirect Transfer. As a result, gains derived from such Indirect Transfer by the foreign investor may be subject to the EIT.

Value-Added Tax

Pursuant to the Provisional Regulations of the PRC on Value-Added Tax (中華人民共和國增值稅暫行條例), which was amended by the State Council on 5 November 2008 and became effective on 1 January 2009, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-Added Tax (中華人民共和國增值稅暫行條例實施細則), which was amended by the Ministry of Finance of the PRC (中華人民共和國財政部) and SAT on 28 October 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services and importation of goods within the territory of the PRC shall pay value-added tax. Unless provided otherwise, the rate of value-added tax is 17%.

Environmental Protection

The Environmental Protection Law of the PRC (中華人民共和國環境保護法), which was promulgated by the Standing Committee of the NPC and became effective on 26 December 1989, and whose amendments were made on 24 April 2014 and took effect on 1 January 2015, establishes the legal framework for environmental protection in the PRC. The environmental protection department of the State Council supervises and administers the environmental protection work in the PRC, and establishes national standards for the environmental quality and discharge of pollutants. Local environmental protection bureaus are in turn responsible for the environmental protection work within their respective jurisdictions.

Construction Project Environmental Protection

The Environmental Impact Appraisal Law of the PRC (中華人民共和國環境影響評價法), which was promulgated by the Standing Committee of the NPC on 28 October 2002 and became effective on 1 September 2003, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), which was promulgated by the State Council and became effective on 29 November 1998, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (建設項目竣工環境保護驗收管理辦法), which was promulgated by the State Environmental Protection Administration of the PRC (中華人民共和國國家環境保護總局) on 27 December 2001 and amended on 22 December 2010, require enterprises planning construction projects to engage qualified professional institution to provide assessment reports on the environmental impact of such projects. The assessment report must be approved by the competent environmental protection authorities prior to commencement of any construction work. Enterprises shall file an application for examination and acceptance of the environmental protection facilities upon the completion of the construction project. Installations for the prevention and control of pollution at a construction

REGULATIONS

project must be designed, built and commissioned together with the principal part of the construction project. A construction project may be formally put into production or use only if the corresponding environmental protection facilities have passed the acceptance examination.

Prevention and Control of Pollutions

The Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法), which was amended by the Standing Committee of the NPC on 28 February 2008, the Law of the PRC on Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), which was amended by the Standing Committee of the NPC on 29 April 2000, and the Law of the PRC on Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法), which was promulgated by the Standing Committee of the NPC on 29 October 1996 and became effective on 1 March 1997, as well as the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法), which was amended by the Standing Committee of the NPC on 29 June 2013, respectively prescribes the details for the prevention and control of water pollution, atmospheric pollution, noise pollution and solid waste pollution.

With regard to enterprises violating the aforesaid laws, the relevant environmental protection authorities may impose administrative penalties on them in accordance with laws and regulations. Any enterprise that has caused an environmental pollution hazard shall be responsible for eliminating it and compensating the entities or individuals directly damaged.

Labour

The Labour Law of the PRC (中華人民共和國勞動法) (“**Labour Law**”) promulgated by the Standing Committee of the NPC came into effect on 1 January 1995 and other relevant laws establish the legal framework for regulation of the relationship between employers and employees in the PRC. According to the Labour Law, the policies that the wages shall be paid according to the performance, equal pay for equal work, lowest wage protection and special labour protection for female worker and juvenile workers shall be implemented. The Labour Law also requires the employer to establish and perfect a safety and healthy system, and enter into employment agreement with its employees.

According to the Labour Contract Law of the PRC (中華人民共和國勞動合同法) (“**Labour Contract Law**”) which was promulgated by the Standing Committee of the NPC on 29 June 2007 and amended on 28 December 2012 and its regulations for the implementation, enterprises established in PRC shall enter into employment agreements with its employees, in which the term of the employment agreement, job duties, working hours, rest and leave, social insurance, labour compensation, labour protection, working conditions and protection against occupational hazards shall be provided for. Both employer and employee shall duly perform their duties. Meanwhile, the Labour Contract Law also provides for the scenario of rescission and termination, except the situation explicitly stipulated in the Labour Contract Law which will not subject to economic compensation, the economic compensation shall be paid to the employee by the employer for the illegally rescission or termination of the employment agreement.

REGULATIONS

Further, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which was promulgated by the State Council on 14 December 2007, became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day.

The Production Safety Law of the PRC (中華人民共和國安全生產法) (“**Production Safety Law**”), which was promulgated by the Standing Committee of the NPC on 29 June 2002 and amended on 31 August 2014 and took effect on 1 December 2014, is the principal law governing the supervision and administration of production safety in the PRC. Production Safety Law requires production entities to meet the relevant legal requirements, such as providing its staff with training on production safety and providing safe working conditions in compliance with relevant laws, rules and regulations. Any production entities unable to provide the required safe working conditions may not engage in production activities. Violation of the Production Safety Law may result in imposition of fines and penalties, suspension of operations, an order to cease operations, or even criminal liability in severe cases.

According to the Interim Regulations Concerning the Levy of Social Insurance Fees (社會保險費徵繳暫行條例) which was promulgated and implemented on 22 January 1999 by the State Council and other relevant regulations, employing entities shall participate in social insurance schemes and shall make contribution to social insurance for its employees. In case an enterprise fails to make full contributions to social insurance for its employees, the relevant PRC authorities may order the enterprise to rectify the non-compliance within a prescribed time limit. If the enterprise still fails to make the payment within the time limit, in addition to the unpaid social insurance premiums, a surcharge for overdue payment equal to 0.2% per day of the overdue payment counting from the date when the amount becomes overdue will be imposed. If the enterprise refuses to pay the social insurance premiums and the surcharge within the time limit, the relevant PRC authorities may apply to people’s courts for mandatory enforcement of the collection.

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

Employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. If an employer does not pay the full amount of social insurance premiums as scheduled after 1 July 2011, the social insurance

REGULATIONS

premium collection institution shall order it to make the payment or make up the difference within the stipulated period and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment. Employers shall not require employees to pay for the said surcharge.

Pursuant to the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例) promulgated by the State Council on 3 April 1999 and became effective on 3 April 1999 and as amended on 24 March 2002, employers shall go through housing provident funds registration with the local housing fund administration center and open housing fund accounts for their employees in the bank. Failure to handle abovementioned registration and accounts opening, an employer may be subject to being ordered to handling within a time limit. If the employer fails to handle within the prescribed time limit, it shall be imposed the penalty ranging from RMB 10,000 to RMB50,000. Where an employer fails to pay up housing provident funds within the prescribed time limit, the housing fund administration center shall order it to make payment within a certain period of time. If the employer still fails to do so, the housing fund administration center may apply to the court for enforcement of the unpaid amount.

Product Liabilities

Manufacturers and sellers of defective products in the PRC may incur liability for loss and injury caused by such products. Under the General Principles of the Civil Laws of the PRC (中華人民共和國民法通則), which became effective on 1 January 1987 and amended on 27 August 2009, a defective product which causes property damage or physical injury to any person could subject the manufacturer or sellers of such product to civil liability for such damage or injury.

Pursuant to the Product Quality Law of the PRC (中華人民共和國產品質量法) (as promulgated on 22 February 1993, implemented on 1 September 1993 and amended in 2000, 2009 and 2013), the Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法) (as promulgated on 31 October 1993 and amended on 25 October 2013) and the Tort Law of the PRC (中華人民共和國侵權責任法) (as promulgated on 26 December 2009 and implemented on 1 July 2010), a manufacturer shall be responsible for the quality of the products it produced. Where any harm is caused by a defective product, the victim may require compensation to be made by the manufacturer of the product or the seller of the product. If the defect of the product is caused by the manufacturer and the seller has made the compensation for the defect, the seller shall be entitled to be reimbursed by the manufacturer. If the defect of the product is caused by the fault of the seller and the manufacturer has made the compensation for the defect, the manufacturer shall be entitled to be reimbursed by the seller.

REGULATIONS

M&A Provisions

The Promulgation of the Provisions on Merger and Acquisition of a Domestic Enterprise by Foreign Investors (關於外國投資者併購境內企業的規定) (the “**M&A Provisions**”) was promulgated by MOFCOM, SASAC, SAT, SAIC, CSRC and SAFE on 8 August 2006 and became effective on 8 September 2006 whose amendments were made by MOFCOM and became effective on 22 June 2009.

The M&A Provisions require that an application shall be made to the MOFCOM for examination and approval of the acquisition of any company inside the PRC affiliated with a domestic company, enterprise or natural person, which is made in the name of an overseas company lawfully established or controlled by such domestic company, enterprise or natural person. The M&A Provisions also provide that the overseas listing of a special purpose company controlled directly or indirectly by PRC companies or individuals on an overseas stock market must be approved by the CSRC.

OTHER COUNTRIES

Shipments of leather garments by our Group to overseas customers are typically made on terms of “Free-on-Board (Hong Kong)”, which generally means our Group (as seller) is responsible for carrying out and complying with the customs formalities necessary for the exportation of leather garments from Hong Kong, while our overseas customers are obliged to carry out and comply with the customs formalities necessary for the importation of leather garments to relevant overseas countries (e.g. US and Australia). As our Group is not engaged in the importation of leather garments to the relevant overseas countries (e.g. US and Australia), our Group is not subject to the relevant laws and regulations in such overseas countries (e.g. US and Australia) governing importation of leather garments.

INDUSTRY OVERVIEW

Investors should note that Ipsos has been engaged by our Company to prepare the Industry Report to provide an overview of the development of the leather garment manufacturing industry, which will be used for use in whole or in part in this prospectus.

Ipsos is a market research and consulting company, and the views contained in the Industry Report are solely those of Ipsos. The information and statistics set out in this section have been extracted from the Industry Report compiled by Ipsos. Such information and statistics extracted from the Ipsos Report reflects an estimate of market conditions based on Ipsos's research and analysis. Ipsos and our Directors believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Ipsos and our Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading.

No independent verification has been carried out on such information and statistics by us, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, their respective affiliates, directors and advisers or any other parties involved in the Placing, and none of them makes any representation as to the accuracy or completeness of such information.

SOURCE OF INFORMATION

Industry Report

We commissioned Ipsos, an Independent Third Party, to conduct an industry analysis of and produce the Industry Report. This prospectus contained information extracted from the Industry Report. The sources cited in this “Industry overview” section are in the form provided in the Industry Report, unless otherwise noted.

Our Directors confirm that Ipsos, including all of its subsidiaries, divisions and units, is independent of and not connected with us in any way. Ipsos has given its consent for us to quote from the Industry Report and to use information contained in the Industry Report in this prospectus.

Ipsos is the subsidiary of Ipsos S.A., a global market research company headquartered in Paris, France and was listed on the Paris Stock Exchange. According to the business consulting unit of Ipsos, Ipsos S.A. group mainly offers market research and consulting services to corporate clients.

INDUSTRY OVERVIEW

The following assumptions are used in the Industry Report:

- The supply and demand of products and services provided by leather garment manufacturing industry in the global market are assumed to be stable and without shortage over the forecast period
- It is assumed that there is no external shock such as financial crisis or natural disasters in the global market to affect the demand and supply for the products and service of leather garment manufacturing industry in China over the forecast period

The following parameters are considered in the marketing sizing and forecast model of the Industry Report:

- GDP growth rates in the global economy and China from 2009 to 2013
- Average annual household disposable income and consumption expenditure in the global economy and China from 2009 to 2018
- Total export value of leather garment from China to the rest of the world from 2009 to 2013

We have paid Ipsos a total of approximately HK\$438,000 in fees for the preparation of the Industry Report. We believe that the fees are reasonable for the preparation of an industry report by an independent third-party consultant.

MARKET OVERVIEW OF LEATHER GARMENT DEMAND IN GLOBAL MARKET

Demand for leather garments in the global market

Leather garment consumption is closely related to living standards. Developed countries are the major consumers of leather products in the global market, while demand for leather goods has been increasing in developing countries in recent years. Considerable amounts of leather articles are purchased by the Japanese, Chinese, and Indian tourists from luxury shops in European countries. Please refer to the paragraph headed “Main categories of leather garments according to their quality of production” in this section below for the retail price range per leather garment.

Retail Sales Value of Garments and Leather Garments in Global Market

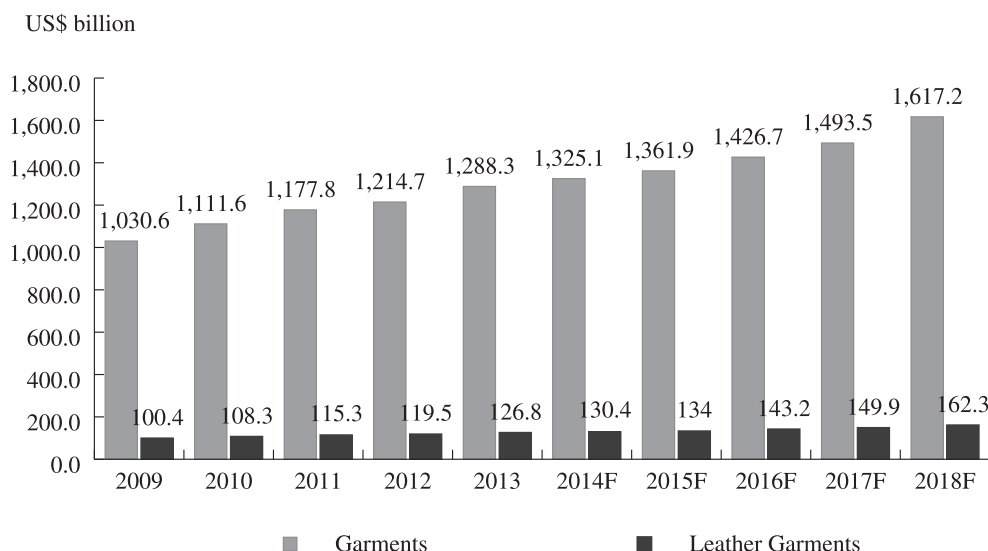
The total retail sales value of garments in global market grew at a CAGR of about 5.7% from 2009 to 2013. The total retail sales value of leather garments in global market grew at a CAGR of about 6.0%, from about US\$100.4 billion in 2009 to about US\$126.8 billion in 2013. The improvement of global economy increased the purchasing power and desire for garments.

INDUSTRY OVERVIEW

As illustrated by the chart under the paragraph headed “Import value of leather garments in global market”, despite the decline of the import value of leather garments in the global market from 2011 to 2013, the total retail sales value of leather garments in the global market continues to increase steadily. This can be explained by the increase in the level of domestic production and domestic consumption of leather garment products in some of the countries. For example, the PRC Government has introduced a series of policies that stimulate domestic demand, such as further implementation of urbanisation, improve rural family income, etc. This series of policies have promoted a steady growth of domestic consumption in China.

The total retail sales value of garments in global market is expected to grow at a CAGR of about 5.1%, from about US\$1,325.1 billion in 2014 to about US\$1,617.2 billion in 2018. The total retail sales value of leather garments in global market grew at a CAGR of about 5.6%, from about US\$130.4 billion in 2014 to about US\$162.3 billion in 2018. As the global financial climate is going to recover gradually from the economic crisis, the global demand for the garments and leather garments are expected to improve gradually, with expansion of demand from Latin American countries, such as Brazil and Argentina etc. All these bring positive impact to the growth of global garments retail sale in the future.

The chart below illustrates the total retail sales value of garments and leather garments in the global market from 2009 to 2018:



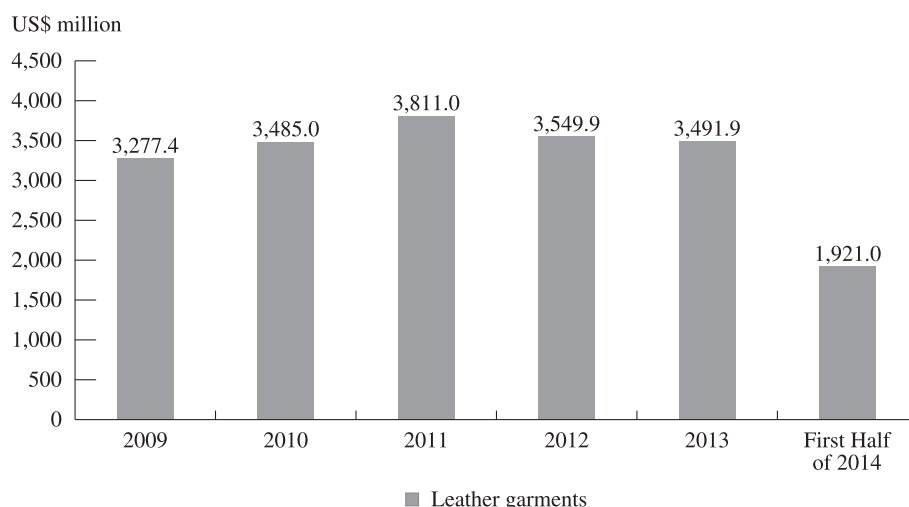
Source: *The Industry Report*

Import Value of Leather Garments in Global Market

Notwithstanding that the total import value of leather garments in global market declined from about US\$3,811.0 million in 2011 to about US\$3,491.9 million in 2013, the total import value grew at a CAGR of about 2.0%, from about US\$3,277.4 million in 2009 to about US\$3,491.9 million in 2013. In particular, the import value of leather garments in North America and Asia recorded a

INDUSTRY OVERVIEW

CAGR of about 6.8% and 6.4% respectively from 2009 to 2013. In general, during these years, consumers in Europe switched from high-end leather products to cheaper ones which were made with artificial leather, which recorded a negative CAGR of about –2.1% from 2009 to 2013.



Source: The Industry Report

Asia and North America enjoyed higher CAGRs in import value of leather garments from 2009 to first half of 2014.

The table below illustrates the import value of leather garments in global market by region from 2009 to first half of 2014:

Year	Asia		North America		Europe		Rest of the World		Global	
	Percentage to		Percentage to		Percentage to		Percentage to		Percentage to	
	Import value	total	Import value	total	Import value	total	Import value	total	Import value	total
	(US\$ million)	(%)	(US\$ million)	(%)	(US\$ million)	(%)	(US\$ million)	(%)	(US\$ million)	(%)
2009	225.8	6.9%	509.4	15.5%	1,282.9	39.1%	1,259.3	38.4%	3,277.4	100.0%
2010	274.8	7.9%	568.2	16.3%	1,250.0	35.9%	1,392.0	39.9%	3,485.0	100.0%
2011	298.1	7.8%	563.8	14.8%	1,341.7	35.2%	1,607.4	42.2%	3,811.0	100.0%
2012	310.5	8.7%	571.8	16.1%	1,120.6	31.6%	1,547.0	43.6%	3,549.9	100.0%
2013	289.7	8.2%	662.8	18.7%	1,180.3	33.8%	1,417.1	39.9%	3,491.9	100.0%
First Half of 2014	119.4	6.2%	220.7	11.5%	559.3	29.1%	1,021.5	53.2%	1,921.0	100.0%
CAGR 2009–2013 (%)	6.4%		6.8%		–2.1%		3.0%		2.0%	

Source: The Industry Report

The grading system of leather is not standardized with the lack of industry-wide standard to follow

There is no industry-wide standard grading system for leather. Until a standard system is set in place, those in the industry must rely on commonly accepted grading systems derived from the quality grading characteristics of leather — appearance, texture, types of leather, cleanliness, tanning technology and tanning method.

INDUSTRY OVERVIEW

OVERVIEW OF LEATHER GARMENT MANUFACTURING INDUSTRY IN CHINA

There were about 5,122 leather garment manufacturers in China in 2013. The leather garment manufacturing industry production value was about RMB60.8 billion. The manufacturers shifted their focus from producing for international export to local consumption. The export share decreased from about 28.0% in 2009 to about 16.0% in 2013 as the global economy and external retail sales activity was not as strong as local economy and local retail sales activity in China. In 2013, the volume of leather garment manufacturing industry in China ranked first globally with about 62.3 million units, with about 49.9% of those as middle-end leather garments.

Main categories of leather garments according to their quality of production

The leather garments were divided into four main categories according to their quality of production.

Categories	Description	Target Customers	Retail price range (US\$) per leather garment	Manufacturing price range (US\$) per leather garment
Luxury	Luxury leather garments were mainly manufactured with fine-grained, no dirt, appearance with luster and without defects leather material.	High income consumers with high purchasing power, and are brand-seeking, mainly from US, Australia, EU countries, China and India	More than 2,400	More than 480
High-end	High-end leather garments were mainly manufactured with fine-grained, little dirt, appearance with luster and minor defects leather material.	High income consumers with fashion preference, mainly from US, Australia, EU countries, Japan, Korea and China.	800–2,400	200–480
Middle-end	Middle-end leather garments were mainly manufactured with fine, clean, and some defects leather material.	Middle class consumers with some fashion sense, and relatively price sensitive.	480–800	100–200
Mass market	Mass market leather garments were mainly manufactured with lower quality leather, such leather contains dirt, dull appearance, and average to major defects.	Low income consumers with preference on leather garments, and highly price sensitive	Less than 480	Less than 100

Source: The Industry Report

INDUSTRY OVERVIEW

Based on the manufacturing price range in the above categories, the products of the Group mainly fall under the high-end and middle-end categories. Please refer to the paragraph headed “Business — Products and services — products” for details of the price ranges by our leather garment product types and their average selling prices during the Track Record Period.

The key features of leather garment manufacturing industry in China include highly concentrated production, labour intensive with low cost, lack of brand establishment

Highly concentrated production: The production of leather garment manufacturing industry was highly concentrated in some regions in China, mainly in Zhejiang and Hebei provinces. In 2013, the production volume of leather garment in Zhejiang and Hebei provinces accounted for about 30.5% and about 28.9% of its total production volume respectively. Please refer to the paragraph headed “Revenue of leather garment manufacturing industry in China” in this section below for details of the production volume and revenue generated for the leather garment manufacturing industry in China.

Labour intensive with low costs: China’s leather garment manufacturing industry remains competitive with its low-cost labourers. This made China as the one of larger manufacturing leather garment manufacturing countries in the global market.

Lack of brand establishment: Most leather garment manufacturers in China do not build its own brand but work as an Original Equipment Manufacturer (OEM) for foreign brands.

Number of Leather Garment Manufacturers in China

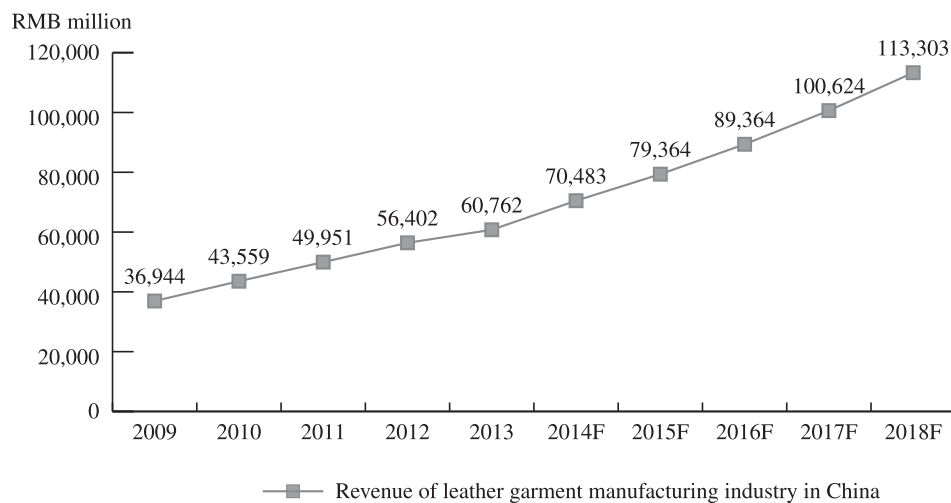
The total number of leather garment manufacturers in China from 2009 to 2013 was generally increased to approximately 5,000 units (with two years less and three years more). During the period, the leather garment industry in the PRC has experienced the impact of a constant rise in production costs and RMB appreciation, decrease in the export volume of leather garments and the implementation of series of policies by the government to boost both export and domestic sales. In 2013, the number of leather garment manufacturers in China reached 5,122.

Revenue of Leather Garment Manufacturing Industry in China

According to the Industry Report, the total revenue of leather garment manufacturing industry in China is expected to increase with increasing local retail activity and consumer’s confidence. The total revenue of leather garment manufacturing industry in China grew at a CAGR of about 13.2%, from about RMB36,944.0 million in 2009 to about RMB60,762.0 million in 2013.

INDUSTRY OVERVIEW

The following chart illustrates the growth of the total revenue of leather garment manufacturing industry in China from 2009 to 2018:



Source: The Industry Report

Revenue of Leather Garment Manufacturing Industry in China by Market Level from 2009 to 2018

Year	Luxury and High-end				Middle-end			
	Revenue	Percentage to total	Volume	Percentage to total	Revenue	Percentage to total	Volume	Percentage to total
	(RMB million)	(%)	(unit in million)	(%)	(RMB million)	(%)	(unit in million)	(%)
2009	4,736.0	12.8%	1.5	2.7%	17,061.0	46.2%	14.2	26.0%
2010	6,008.0	13.8%	1.8	2.9%	20,727.0	47.6%	16.8	27.2%
2011	7,331.0	14.7%	2.1	3.3%	24,376.0	48.8%	19.2	29.7%
2012	8,751.0	15.5%	2.4	4.2%	28,154.0	49.9%	21.5	37.2%
2013	9,292.0	15.3%	2.5	4.0%	30,330.0	49.9%	22.5	36.0%
CAGR 2009–2013 (%)	18.4%		14.1%		15.5%		12.1%	
2014F	10,704.0	15.2%	2.8	4.2%	35,668.0	50.6%	25.6	38.6%
2015F	12,323.0	15.5%	3.1	4.6%	40,702.0	51.3%	28.4	41.4%
2016F	14,497.0	16.2%	3.5	5.0%	46,446.0	52.0%	31.5	44.5%
2017F	17,054.0	16.9%	4.0	5.5%	53,000.0	52.7%	34.9	47.6%
2018F	20,062.0	17.7%	4.5	6.0%	60,479.0	53.4%	38.6	50.8%
CAGR 2014F–2018F (%)	17.0%		12.8%		14.1%		10.8%	
CAGR 2009–2018F (%)	17.4%		13.2%		15.1%		11.7%	

INDUSTRY OVERVIEW

Year	Mass Market				Total			
	Revenue	Percentage	Volume	Percentage	Revenue	Percentage	Volume	Percentage
		to total		to total		to total		to total
		(RMB million)		(%)		(unit in million)		(%)
2009	15,147.0	41.0%	39.1	71.3%	36,944.0	100.0%	54.8	100.0%
2010	16,824.0	38.6%	43.2	69.9%	43,559.0	100.0%	61.8	100.0%
2011	18,244.0	36.5%	43.1	67.0%	49,951.0	100.0%	64.4	100.0%
2012	19,497.0	34.6%	33.9	58.6%	56,402.0	100.0%	57.8	100.0%
2013	21,139.0	34.8%	37.3	59.9%	60,761.0	100.0%	62.3	100.0%
CAGR 2009–2013 (%)	8.7%		–1.1%		13.2%		3.3%	
2014F	24,111.0	34.2%	38.0	57.2%	70,483.0	100.0%	66.5	100.0%
2015F	26,340.0	33.2%	37.1	54.0%	79,365.0	100.0%	68.6	100.0%
2016F	28,422.0	31.8%	35.7	50.5%	89,365.0	100.0%	70.7	100.0%
2017F	30,570.0	30.4%	34.3	46.9%	100,624.0	100.0%	73.2	100.0%
2018F	32,761.0	28.9%	32.8	43.2%	113,302.0	100.0%	76.0	100.0%
CAGR 2014F–2018F (%)	8.0%		–3.6%		12.6%		3.4%	
CAGR 2009–2018F (%)	8.9%		–1.9%		13.3%		3.7%	

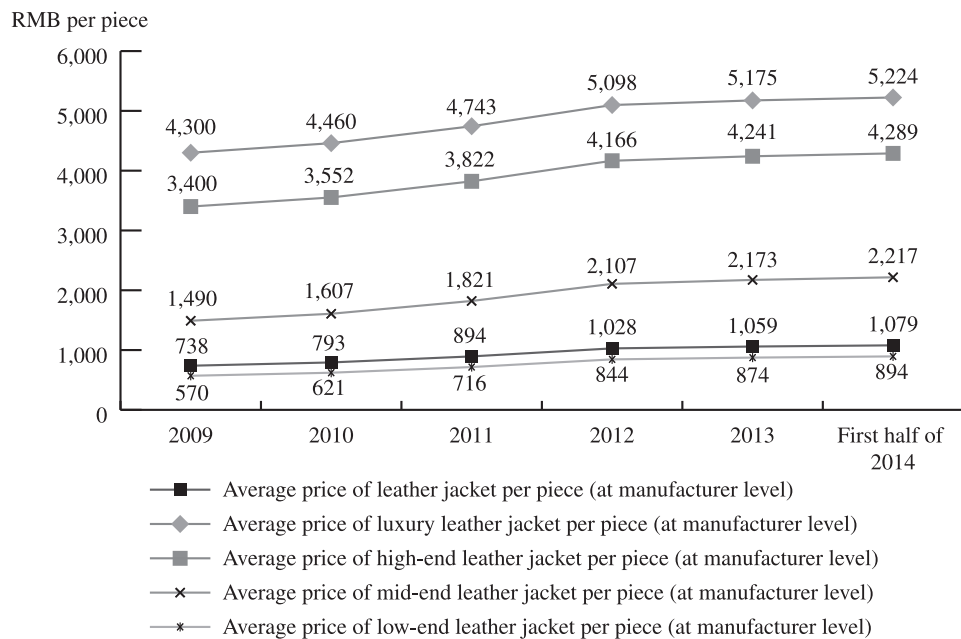
As shown in the table above, in 2013, the luxury and high-end product category and the middle-end product category constituted about 15.3% and 49.9% of the total revenue of leather garment manufacturing industry in China, respectively. In terms of growth, the revenue of leather garment manufacturing industry in China increased significantly for the luxury and high-end product category with a CAGR of about 18.4% from 2009 to 2013, whereas the middle-end product category recorded a CAGR of about 15.5% from 2009 to 2013. It is estimated that growth momentum for these two product categories will continue. According to the Industry Report, it is estimated that by 2018 the revenue of leather garment manufacturing industry in China will continue to increase for the luxury and high-end product category and the middle-end product category, and is expected to account for about 17.7% and 53.4% of the total revenue of leather garment manufacturing industry in China, respectively.

INDUSTRY OVERVIEW

Average price of leather jackets in China

The average price of leather jacket per piece (at manufacturer level) in China grew at a CAGR of about 9.4% from about RMB738 per piece in 2009 to about RMB1,079 per piece in first half of 2014. The average price of luxury leather jacket per piece (at manufacturer level) in China grew at a CAGR of about 4.7%, from about RMB4,300 in 2009 to about RMB5,175 in 2013. For high-end leather jacket per piece, the average price grew at a CAGR of about 5.7%, from about RMB3,400 in 2009 to about RMB4,289 in 2013. For mid-end leather jacket per piece, the average price grew at a CAGR of about 3.7% from RMB1,490 in 2009 to about RMB2,173 in 2013. For mass-market leather jacket per piece, the average price grew at a CAGR of about 11.3% from about RMB570 in 2009 to about RMB874 in 2013. According to the Industry Report, nearly 75% of garment manufacturing companies in China have been facing pressure on the increase in labour cost. While total wage grew at approximately 10.6%, the supply of labour in leather garment industry decreased. To elaborate further, average labour salary of leather garment manufacturing industry in China rose from about RMB1,754.3 per month in 2009 to about RMB2,984.9 per month in the first half of 2014. Along with a general increase in raw material price, this resulted in the increase in production cost of leather garment, which pushed up the average price of leather jacket per piece (at manufacturer level) in China.

The following chart illustrates the average price of leather jacket per piece (at manufacturer level) in China from 2009 to first half of 2014:

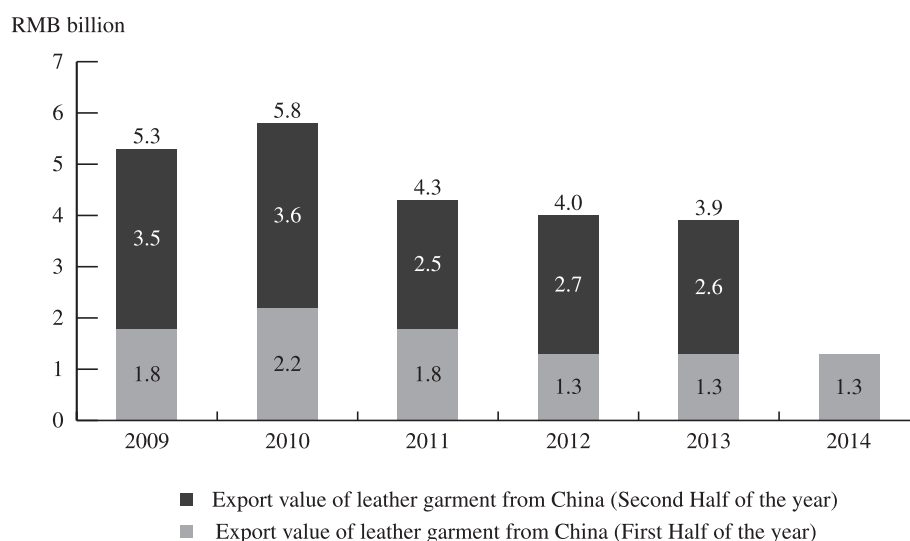


Source: The Industry Report

INDUSTRY OVERVIEW

Export Value of Leather Garments from China

The following chart illustrates the total export value of leather garments from China to the rest of the world from 2009 to first half of 2014, which shows a decline at a CAGR of about -7.6% , from about RMB5.3 billion in 2009 to about RMB3.9 billion in 2013.



Source: *The Industry Report*

Total export value of leather garments from China in first half of the year accounts for about 35.9% of the whole year export on average from 2009 to 2013. Year on year change has been picking up since 2012, and is experiencing a moderate growth in 2014, of about 0.9%. Such phenomenon can be explained by the seasonal production of leather garments, which reaches its peak at second half of the year for northern hemisphere, for the winter season.

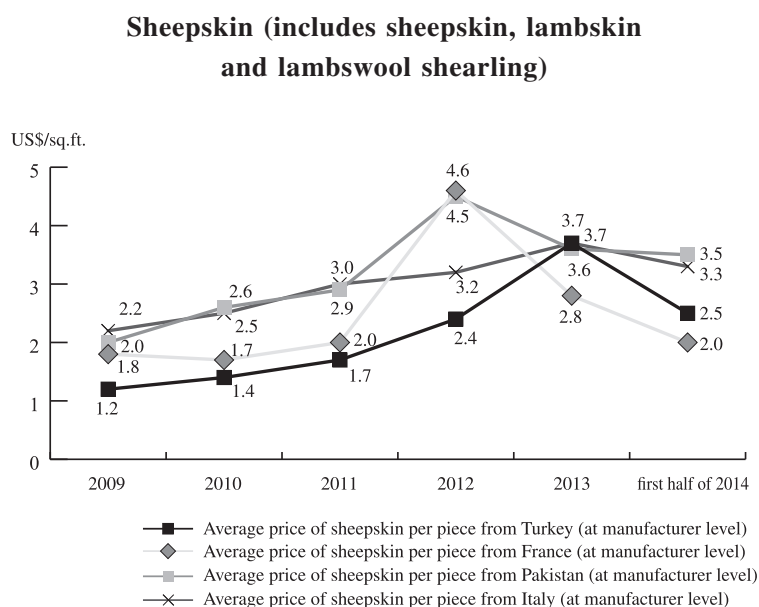
Moreover, the moderate decline of leather garment export from China from 2009 to 2013 could be attributed to the rising competitions from its neighbor countries, such as Pakistan and India, both countries experienced at about 2.6% and about 10.1% growth in CAGR of export value of leather garments from 2009 to 2013, respectively. With labor issues and increased wages driving up manufacturing costs at China's leather garment manufacturing industry, leather garment brand owners in developed countries are looking to source their leather garment manufacturing from India. One of the reasons is that Indian leather garments manufacturers enjoy a relatively cheaper labour, with the average annual wage at about RMB49,524 in 2013, about 3.8% lower than the average annual wage in China.

INDUSTRY OVERVIEW

Average price of key raw materials for leather garment manufacturing

There has been a general increase in the average price of sheepskin (includes sheepskin, lambskin and lambswool shearling) and goatskin per piece (at manufacturer level) imported into China from France, Italy, Pakistan and Turkey from 2009 to the first half of 2014.

The following chart shows the historical average price of sheepskin from 2009 to the first half of 2014:

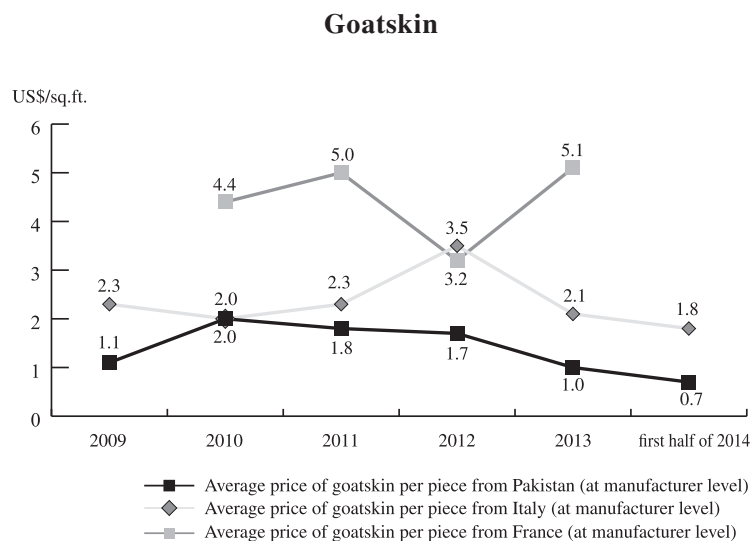


Source: *The Industry Report*

The average price of sheepskin per piece from Turkey (at manufacturer level) rose from about US\$1.2 per sq.ft in 2009 to about US\$3.7 per sq.ft in 2013 at a CAGR of about 32.5%, but it decreased to about US\$2.5 per sq.ft in the first half of 2014. The average price of sheepskin per piece from France (at manufacturer level) rose from about US\$1.8 per sq.ft in 2009 to about US\$2.8 per sq.ft in 2013 at a CAGR of about 11.7%, but it decreased to about US\$2.0 per sq.ft in the first half of 2014. The average price of sheepskin per piece from Pakistan (at manufacturer level) rose from about US\$2.0 per sq.ft in 2009 to about US\$3.6 per sq.ft in 2013 at a CAGR of about 15.8%, but it decreased slightly to about US\$3.5 per sq.ft in the first half of 2014. The average price of sheepskin per piece from Italy (at manufacturer level) rose from about US\$2.2 per sq.ft in 2009 to about US\$3.7 in 2013 at a CAGR of about 13.9%, but it decreased to about US\$3.3 per sq.ft in the first half of 2014.

INDUSTRY OVERVIEW

The following chart shows the historical average price of goatskin from 2009 to the first half of 2014:



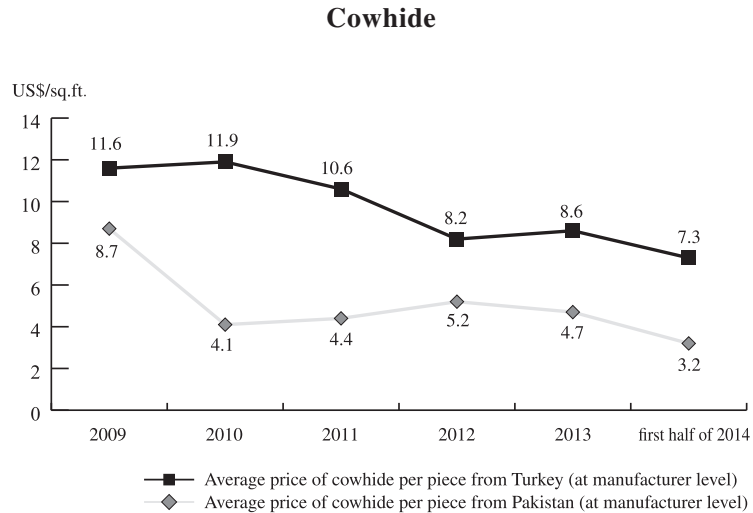
Source: *The Industry Report*

Note: Data of average price of goatskin in 2009 and the first half of 2014 in France is unavailable due to lack of publication.

The average price of goatskin per piece from Pakistan (at manufacturer level) decreased at a CAGR of about -2.4% , from about US\$1.1 per sq.ft. in 2009 to about US\$1.0 per sq.ft. in 2013. The average price of goatskin per piece from Italy (at manufacturer level) decreased from about US\$2.3 per sq.ft. in 2009 to about US\$2.1 per sq.ft. in 2013, representing a CAGR of about -2.2% . The average price of goatskin per piece from France (at manufacturer level) increased from about US\$4.4 per sq.ft. in 2010 to about US\$5.1 per sq.ft. in 2013, giving a CAGR of about 5.0% .

INDUSTRY OVERVIEW

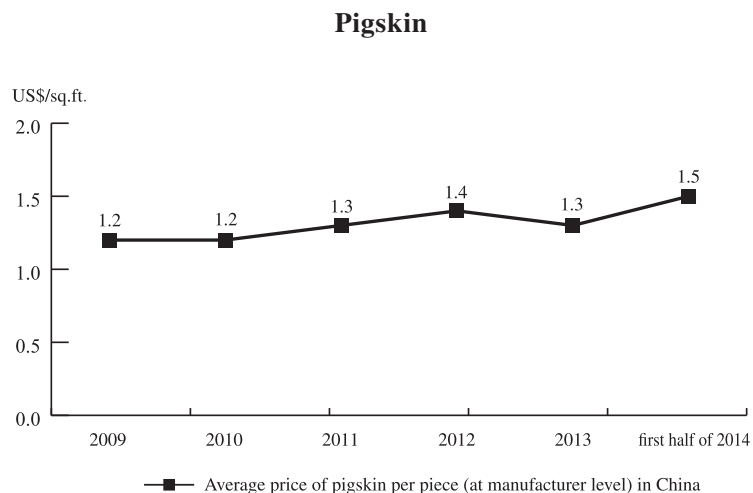
The following chart shows the historical average price of cowhide from 2009 to the first half of 2014:



Source: *The Industry Report*

The average price of cowhide per piece from Pakistan (at manufacturer level) decreased at a CAGR of about -14.3% from about US\$8.7 per sq.ft. in 2009 to about US\$4.7 per sq.ft. in 2013, and it further decreased to about US\$ 3.2 in first half of 2014. The average price of cowhide per piece from Turkey (at manufacturer level) decreased at a CAGR of about -7.2% from about US\$11.6 per sq.ft. in 2009 to about US\$8.6 per sq.ft. in 2013, and it further decreased to about US\$7.3 per sq.ft. in first half of 2014.

The following chart shows the historical average price of pigskin from 2009 to the first half of 2014:



Source: *The Industry Report*

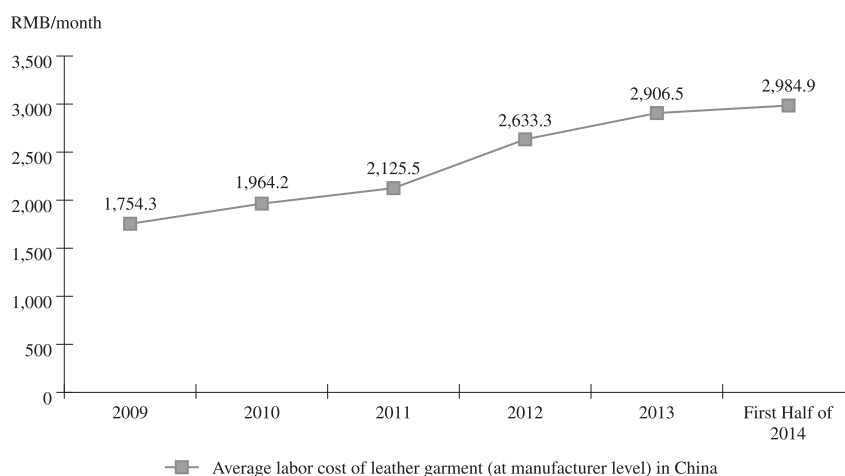
INDUSTRY OVERVIEW

The average price of pigskin per piece (at manufacturer level) slightly increased at a CAGR of about 2.9% from US\$1.2 per sq.ft in 2009 to US\$1.5 per sq.ft in first half of 2014.

Average labour cost for leather garment (at manufacturer level) in China

The average labour cost of leather garment (at manufacturer level) in China has been rising consistently from about RMB1,754.3 per month in 2009 to about RMB2,906.5 per month in 2013 at a CAGR of about 13.5%.

The following chart shows the historical average labour cost for leather garment (at manufacturer level) in China from 2009 to the first half of 2014:



Source: *The Industry Report*

The increase in average labour cost of leather garment (at manufacturer level) in China can be attributed to two factors: (i) continued economic growth; and (ii) more importantly, the PRC government's target set in 2011 to double household disposable income per capita in its five-year economic plan. From 2009 to 2013, China's GDP growth rate has been holding at a high rate from about 7.7% to about 9.2%. The well-performing economy in China has contributed to the rising labour cost of leather garment (at manufacturer level). Furthermore, under the 12th five-year plan in China, the PRC government has requested that minimum wage levels should be lifted by about 13.0% annually by the year of 2015. This policy is therefore considered as a major factor for driving the rise in average labour cost of leather garment (at manufacturer level).

COMPETITIVE LANDSCAPE OF LEATHER GARMENT MANUFACTURING INDUSTRY IN CHINA

According to the Industry Report, the leather garment manufacturing industry in China is fragmented and at a developing stage. There were about 5,122 manufacturers in the leather garment manufacturing industry in China with the top 10 manufacturers made up about 3.4% of total industry revenue in 2013. According to the Industry Report, the Company's market share in the

INDUSTRY OVERVIEW

leather garment manufacturing industry in China constituted approximately 0.1% of the total industry revenue in 2013 and was ranked outside top 20 of the leather garment manufacturers in China in 2013.

Factors of Competition

Superior manufacturing capabilities of manufacturers who supply global retailers

Leather garment manufacturers that supply to global leather garment retailers possess more advanced processing machineries, more skillful craftsmanship and have more stringent quality control procedures in place. In particular, this type of leather garment manufacturers with experience in providing leather processing services for global retailers is the most competitive.

Infiltration of low quality leather

As the barriers to the leather garment manufacturing industry in China are low, there has been a significant number of small family manufacturing workshops in the market. This has led to an infiltration of low quality and cheap leather into the retail market.

Below average labour cost in certain regions in China

In a labour intensive industry such as the leather garment manufacturing industry, there are certain regions within China that possess advantage in lower labour cost. In 2013, the average annual wage in China was about RMB51,474. In comparison, labour wages are about RMB58,563 per year in Eastern China, RMB50,291 per year in Southern China, RMB46,966 per year in Western China, RMB43,438 per year in Northeast China and RMB42,767 per year in Central China. Therefore, manufacturers based in Southern, Western, Northeast and Central China have cost advantage over those in the East.

Entry Barriers of Leather Garment Manufacturing Industry in China

Establishing a procurement channel with stable supply of raw materials can be an entry barrier of leather garment manufacturing industry in China

A constant supply of high quality leather raw materials is crucial for manufacturing of good quality leather garments. However, the technology in leather garment manufacturing industry in China is not advanced enough to meet the consumers' needs since the leather raw materials in China are not of top quality. The manufacturers have to import good quality leather raw materials and accessories from other countries. New manufacturers cannot easily establish good raw materials procurement channels with the suppliers abroad and such is a significant entry barrier for the new entrants to overcome.

INDUSTRY OVERVIEW

Finding a good overseas distributor can be an entry barrier of leather garment manufacturing industry in China

It is important for the manufacturers to develop a long-term stable cooperative relationship with the downstream distributors to ensure the sales of the leather garments. A reliable distributor is required for international brands to recognize the leather garment manufacturers in China and select them as their leather garment suppliers. It will be difficult for new manufacturers to locate a reliable overseas distributor and be recognized and promote their products to large overseas international brand owners.

Opportunity for Leather Garment Manufacturing Industry in China

PRC Government's policy support on leather garment manufacturing industry

The PRC Government has been offering policy support to the growth of leather garment industry in China. In 2012, the State Council announced the policy “Light industry twelfth 5-year plan” 《輕工業“十二五”發展規劃》, which acted as the action plan for the integrated responsive measures to be run in the light industry between 2011 and 2015, focusing on restructuring and revitalization of 10 light industries including leather garment manufacturing industry. For example, the policy included speeding up of construction of specialized wholesale market and industrial parks for leather garment and creating platform for exchange of leather garment technology. This will give more room for development in the leather garment industry.

Tax benefits for leather garment manufacturing industry

The leather garment manufacturing industry is associated to agricultural industry as it utilizes hides from farm animals, such as pigs, lambs and cattle. As the agricultural industry is one of the policy development focuses for PRC Government, agricultural industry and its associated industries also enjoy preferential tax benefit such as national export tax rebate of about 13% for leather garments. Thus, this offers growth opportunities to leather garment industry in China.

Competitive Advantages of the Company in Leather Garment Manufacturing Industry in China

According to the Industry Report, the competitive advantages of the Company include the following:

Reliable and stable leather procurement capacity

The Company has established reliable and stable procurement channels worldwide. With such capability, it enhances the Company's procurement efficiency as well as lowering the procurement costs. All these help strengthen the Company's order taking ability.

INDUSTRY OVERVIEW

Involvement in product development process with its customers

The Company has involved in the pre-production and product development process with its customers, such as giving advice on market trend and the designs of leather garment products. These value-added services differentiate the Company from the general leather garment manufacturers. It is expected that these services can attract and develop a long term business relationship with customers, therefore created a stable increment of the product demand in the future.

Passing on cost of raw materials to customers when average price of raw materials fluctuates

As the average import price of sheepskin and goatskin from the Company's major importers such as those in France, Italy, Pakistan and Turkey, has been increasing from 2009 to 2013 on an average CAGR of about 11.6%. The Company, however, is able to pass on the increased costs of raw materials to its customers as it operates a made-to-order basis.

HISTORY, DEVELOPMENT AND REORGANISATION

GENERAL

The main operating subsidiaries of our Group are Perline and Foshan Shengli. Presently, Perline takes charge mainly of our sales, marketing and product development functions, while Foshan Shengli is our manufacturing base.

Perline was first established in 1988. To develop the leather garment production functions of its business, in 1990, Perline and a PRC collectively owned (集體所有制) enterprise (“**First PRC-JV Partner**”, which is an Independent Third Party) formed the Old FIE in Foshan, Guangdong to engage in manufacturing of leather garments. The Old FIE was initially formed as a sino-foreign equity joint venture enterprise with a joint venture period of 10 years which expired in June 2000. In 2000, the expiry date of joint-venture period was further extended to June 2005. When the Old FIE was first established, Perline owned 25% equity capital in the Old FIE, while the First PRC-JV Partner owned the remaining 75% equity capital. In around June 2002, the First PRC-JV Partner completed transfer of its equity interests in the old FIE to another PRC enterprise (“**Second PRC-JV Partner**”, which is an Independent Third Party). The Second PRC-JV Partner sold its equity interest in the Old FIE to Perline by stages in 2002 and 2004. Through such purchases, Perline’s equity interest in the Old FIE was increased to 85% in 2002, and to 100% in 2004. The Old FIE had an extended approved term of operation of 15 years, which expired in June 2005. Following the taking of the necessary dissolution steps and applications to relevant governmental authorities, it was formally dissolved in April 2007 by way of winding up by the passing of equity-holders’ resolutions. The PRC Legal Advisers are of the view that the Old FIE was dissolved properly and legally.

During the joint-venture period, Perline and its management gained leather garments related experience in the leather garment industry. Because of the uncertainty in further extending the joint venture period of the Old FIE and also having regard to the possible tax holidays that may be enjoyed by establishing a new foreign investment entity, in June 2004, Perline established Foshan Shengli as its wholly owned subsidiary. Since then, Foshan Shengli has become our Group’s production base.

Our Group was founded in 1988 by Mr. Lam Hon Keung (“**Mr. HK Lam**”) and the late Dr. Lam Hon Team, Anthony (“**Dr. Anthony Lam**”), who were brothers. Before founding our Group, Mr. HK Lam started to carry out leather garment trading business in 1979 through setting up (together with his wife) a company in Hong Kong (i.e. Odella Company Limited (“**OCL**”)). Subsequently, as Mr. HK Lam wanted to form a family business with his brother Dr. Anthony Lam, the brothers used their own personal savings to form Perline in 1988. They together held at least 70% of the issued shares in Perline during the period between 1988 and 1995. Mr. Wong Fai Ming (“**Mr. FM Wong**”) was a member of the senior management of Perline and he held a minority interest in Perline when it was incorporated. In 1995, Dr. Anthony Lam retired from our Group. During the period between 1995 and 2010, Mr. HK Lam held 60% of the issued shares in Perline. In 2010, Mr. HK Lam and the other two shareholders of Perline retired from our Group. In April 2010, the ownership and management of Perline were passed to Ms. Grace Lam (a daughter of Mr. HK Lam), Ms. Idy Cheung (daughter-in-law of Dr. Anthony Lam) and Mr. Ramond Ching. Please refer to the paragraph headed “History, Development and Reorganisation — Corporate History — Establishment and major shareholding changes of our Group companies — Perline” of this prospectus for further information of the historical share transfers in Perline.

HISTORY, DEVELOPMENT AND REORGANISATION

Following such transfers, the new management of our Group (i.e. Ms. Idy Cheung, Ms. Grace Lam and Mr. Ramond Ching) examined the positioning of our Group in the garment-manufacturing industry, and started to focus on production and sale of leather garments to international and regional fashion brand owners. In addition, our business model was also geared towards higher-end fashions and provision of value-added services, in particular, our Group put more emphasis on:

- customers who include international and regional fashion brands, and most of whom offer a broad spectrum of apparel and accessories under their own brands, and leather apparel forms only a minor portion of their product portfolio;
- offering our customers not only with our manufacturing services to produce leather apparel products, but also a range of ancillary pre-production product development services and post-production logistical services; and
- providing flexibility in the production scale for each purchase order by our customers, aiming to cater for their business needs and requirements in each case.

Please refer to the section headed “Business” in this prospectus for further details of our business model.

BUSINESS HISTORY AND MILESTONES

Year	Key milestone
1990	The Old FIE (in which our Group owned 25% equity interest) was established to engage in manufacturing of leather garments
2004	Foshan Shengli (a wholly owned subsidiary of Perline) was established and has become our production base
2010	Ms. Idy Cheung, Ms. Grace Lam and Mr. Ramond Ching became shareholders and management of the Group and determined to focus on sale of leather garments to international and regional fashion brands
2011	Our pre-production product development team headed by Ms. Grace Lam was established, which strengthened our pre-production product development services
2013	A domestic sales team was established in the PRC, which targeted to expand our Group’s marketing operations and to develop the PRC domestic market

HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE HISTORY

Our Group, comprising our Company and its subsidiaries

Upon completion of the Reorganisation, our Group comprised four companies: our Company, Odella BVI, Perline and Foshan Shengli. Among these entities, Perline and Foshan Shengli are our principal operating subsidiaries during the Track Record Period. The following table contains some information of our Company and its subsidiaries as of the Latest Practicable Date:

<u>Name of Group member</u>	<u>Date of incorporation</u>	<u>Place of incorporation</u>	<u>Principal activities</u>
Our Company	3 September 2014	Cayman Islands	Investment holding
Odella BVI	11 September 2014	BVI	Investment holding
Perline	15 March 1988	Hong Kong	Sales, marketing and development of leather products
Foshan Shengli	21 June 2004	PRC	Manufacture of various leather products, domestic and foreign trading (restricted items being subject to relevant approval)

See “History, Development and Reorganisation — Corporate Structure” of this prospectus for the chart showing the shareholding and corporate structure of our Group immediately after the Reorganisation.

Establishment and major shareholding changes of our Group companies

Our Company

Our Company was incorporated on 3 September 2014 with an authorised share capital of HK\$1 million divided into 100 million shares of HK\$0.01 each. It was incorporated for the purpose of implementing the Reorganisation.

HISTORY, DEVELOPMENT AND REORGANISATION

On 3 September 2014, one share of HK\$0.01 was allotted and issued, nil paid, to Sharon Pierson (an officer of Codan Trust Company (Cayman) Limited, the provider of registered office of the Company), which was transferred to BVI-Cheung on the same date. On the same date (i.e. 3 September 2014), our Company further allotted and issued 999,999 Shares, nil paid, to BVI-Cheung, BVI-Lam and BVI-Ching. Brief details of the shareholders of the Company immediately following such transfer and subscriptions are shown below:

<u>Subscriber</u>	<u>No. of Shares subscribed and held</u>	<u>Shareholding percentage (%)</u>
BVI-Cheung	680,000 <i>(Note)</i>	68%
BVI-Lam	170,000	17%
BVI-Ching	<u>150,000</u>	<u>15%</u>
Total:	<u><u>1,000,000</u></u>	<u><u>100%</u></u>

Note: Inclusive of one subscriber share transferred from Sharon Pierson (an officer of Codan Trust Company (Cayman) Limited, the provider of registered office of our Company).

By an agreement (“**Share Swap Agreement**”) dated 4 December 2014 and made between, among others, (i) Odella BVI as purchaser; (ii) the Company (as holding company of Odella BVI); and (iii) the Individual Owners as sellers and warrantors, Odella BVI agreed to acquire from the Individual Owners the entire issued share capital in Perline. In consideration of and in exchange for such acquisition, the Company:

- (i) credited as fully paid the 1 million nil-paid Shares which were first issued on 3 September 2014 (as mentioned above), and
- (ii) issued to the BVI Inv Vehicles 9 million new Shares (and such new Shares were issued to BVI-Cheung, BVI-Lam and BVI-Ching (as nominated by the Individual Owners) in the proportion of 68%, 17% and 15% respectively), all credited as fully paid. Brief details of the shareholders of the Company immediately following completion of the Share Swap Agreement on 4 December 2014 are shown below:

<u>Subscriber</u>	<u>No. of Shares held</u>	<u>Shareholding percentage (%)</u>
BVI-Cheung	6,800,000	68%
BVI-Lam	1,700,000	17%
BVI-Ching	<u>1,500,000</u>	<u>15%</u>
Total:	<u><u>10,000,000</u></u>	<u><u>100%</u></u>

HISTORY, DEVELOPMENT AND REORGANISATION

Odella BVI

Odella BVI was incorporated in BVI on 11 September 2014. It was incorporated for the purpose of implementing the Reorganisation.

Its initial authorised share capital is US\$50,000 divided into 50,000 shares of US\$1 each. On 11 September 2014, 100 shares in Odella BVI were issued to the Company, and the subscription price of each share was US\$1 (i.e. the par value of such share).

Perline

Perline was incorporated in Hong Kong on 15 March 1988. Its initial authorised share capital was HK\$200,000 divided into 200,000 shares of HK\$1 each. Following the coming into effect of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 3 March 2014, the nominal value of the shares in Perline was abolished pursuant to section 135 of the new Companies Ordinance.

On 15 March 1988, two shares of HK\$1 each were allotted and issued, fully paid at par, to Mr. HK Lam and Mr. FM Wong respectively. On 18 March 1988, Perline further allotted and issued a total of 199,998 shares, fully paid at par, to Mr. HK Lam, Dr. Anthony Lam and Mr. FM Wong. The total number of issued shares in Perline has remained 200,000 up to the Latest Practicable Date.

The following table summaries the changes in shareholders and shareholdings of Perline from 15 March 1988 up to 12 April 2010:

Date (year-month-date)	Mr. HK Lam	Dr. Anthony Lam	Mr. FM Wong	Mr. Chan Kwok Hung	Ms. Grace Lam	Ms. Idy Cheung	Mr. Ramond Ching	Remarks
1988-3-15	1	—	1	—	—	—	—	
1988-3-18	120,000	40,000	40,000	—	—	—	—	
1990-3-17	100,000	40,000	40,000	20,000	—	—	—	See Note a
1995-10-13	120,000	—	60,000	20,000	—	—	—	See Note b
2010-4-12	—	—	—	—	34,000	136,000	30,000	See Note c

Notes:

- (a) On 17 March 1990, 20,000 shares in Perline were transferred by Mr. HK Lam to Mr. Chan Kwok Hung (a then employee of the Group) at a consideration of HK\$20,000. The transfer was made as part of employee incentive to retain Mr. Chan for rendering continuing services to our Group, who further became a technical adviser of the Old FIE. The consideration was determined based on the par value of the shares. Such transfer was properly and legally completed.
- (b) In connection with Dr. Anthony Lam's retirement from our Group in 1995, by two instruments of transfer (and the related bought and sold notes) all dated 13 October 1995, Dr. Anthony Lam transferred (i) 20,000 shares in Perline to Mr. HK Lam at the consideration of HK\$315,000, and (ii) 20,000 shares in Perline to Mr. FM Wong at the consideration of HK\$315,000. The consideration was determined having regard to the net asset value of Perline at such time. The transfers were properly and legally completed.

HISTORY, DEVELOPMENT AND REORGANISATION

- (c) In connection with the retirement of Mr. HK Lam, Mr. FM Wong and Mr. Chan Kwok Hung from our Group, the following transfers were effected by five instruments of transfer (and the related bought and sold notes) all dated 12 April 2010:

Transferor	Transferee	No. of shares in Perline transferred	Purchase price (HK\$)
Mr. HK Lam	Ms. Idy Cheung	120,000	120,000
Mr. FM Wong	Ms. Idy Cheung	16,000	16,000
Mr. FM Wong	Ms. Grace Lam	34,000	34,000
Mr. FM Wong	Mr. Ramond Ching	10,000	10,000
Mr. Chan Kwok Hung	Mr. Ramond Ching	20,000	20,000
		Total:	200,000

The purchase price of each share in Perline being transferred was determined based on the nominal value of such share and the financial position of Perline. Before such transfers, an interim dividend which represented substantially all the then retained earnings was declared by Perline. The purchase prices as set out in the table above were settled by Ms. Idy Cheung, Ms. Grace Lam and Mr. Ramond Ching respectively with their own funds accumulated from their salaries and savings. The transfers were properly and legally completed.

By a shareholders' agreement ("**Perline Shareholders Agreement**") dated 20 February 2010 and made between the Individual Owners (i.e. Ms. Idy Cheung, Ms. Grace Lam and Mr. Ramond Ching), in addition to the HK\$200,000 which they paid as purchase price for acquiring the entire equity interest in Perline, they agreed to further inject HK\$4.8 million into Perline in the form of shareholders' loan (the "**Shareholders Loan**"), and the amount to be lent by each Individual Owner was agreed to be in proportion to their respective shareholdings in Perline. Under the Perline Shareholders Agreement, it was also agreed that Ms. Idy Cheung would advance certain sums to Ms. Grace Lam and Mr. Ramond Ching to pay the Shareholders Loan. All such advances owing from Ms. Grace Lam and Mr. Ramond Ching to Ms. Idy Cheung were repaid by February 2014. The Shareholders Loan was used by Perline as working capital. The Perline Shareholders Agreement was formally terminated by the Individual Owners in October 2014. The Shareholders Loan was repaid by Perline to the Individual Owners in October 2014.

As part of the Reorganisation, the entire issued share capital in Perline was transferred by the Individual Owners to Odella BVI on 4 December 2014 pursuant to the Share Swap Agreement. The transfers were properly and legally completed.

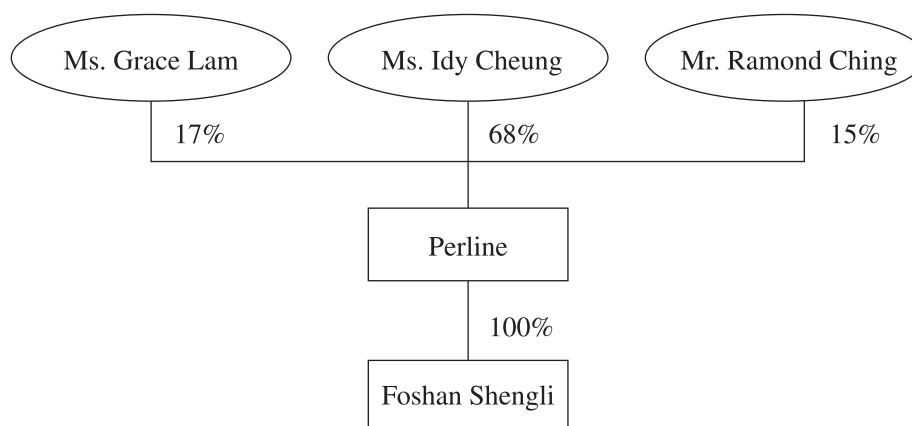
Foshan Shengli

Foshan Shengli was established in the PRC on 21 June 2004 as a WFOE. Since its establishment and up to the Latest Practicable Date, its sole beneficial owner was Perline and its registered capital amounted to HK\$1.5 million. Its registered capital was fully paid up on 14 April 2005. Such registered capital has remained HK\$1.5 million up to the Latest Practicable Date.

HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

Prior to the Reorganisation which started in July 2014, the corporate structure of our Group is as follows:



Steps of Reorganisation

In preparation for the Listing and the Placing, our Group implemented the Reorganisation which involves the following principal steps:

1. Each Individual Owner acquired and activated and solely owned a BVI investment vehicle (i.e. the BVI Inv Vehicles) as follows:

<u>Name of BVI Inv Vehicle</u>	<u>Sole shareholder of such BVI Inv Vehicle</u>
Quality Century Limited (i.e. BVI-Cheung)	Ms. Idy Cheung
Design Vanguard Limited (i.e. BVI-Lam)	Ms. Grace Lam
Olson Global Limited (i.e. BVI-Ching)	Mr. Ramond Ching

2. On 3 September 2014, our Company was incorporated in the Cayman Islands as an exempted company. On 3 September 2014, one share of HK\$0.01 was allotted and issued, nil paid, to Sharon Pierson, and such share was transferred to BVI-Cheung on the same date.

HISTORY, DEVELOPMENT AND REORGANISATION

3. On 3 September 2014, our Company further allotted and issued a total of 999,999 Shares, nil paid, to BVI-Cheung, BVI-Lam and BVI-Ching. Brief details of the shareholders of our Company immediately following such transfer and subscriptions are shown below:

<u>Subscriber</u>	<u>No. of Shares subscribed and held</u>	<u>Shareholding percentage (%)</u>
BVI-Cheung	680,000	68%
	(Note)	
BVI-Lam	170,000	17%
BVI-Ching	<u>150,000</u>	<u>15%</u>
Total:	<u>1,000,000</u>	<u>100%</u>

Note: Inclusive of one subscriber share transferred from Sharon Pierson.

4. Odella BVI was incorporated in BVI on 11 September 2014. On 11 September 2014, 100 shares in Odella BVI were issued to our Company at the aggregate subscription price of US\$100 (representing the aggregate par values of such shares).
5. On 4 December 2014, pursuant to the Share Swap Agreement, Odella BVI became the sole shareholder of Perline, and the number of issued Shares in our Company was increased to 10 million. The shareholding percentage of BVI-Cheung, BVI-Lam and BVI-Ching in our Company remained the same immediately before and immediately after the completion of the Share Swap Agreement.

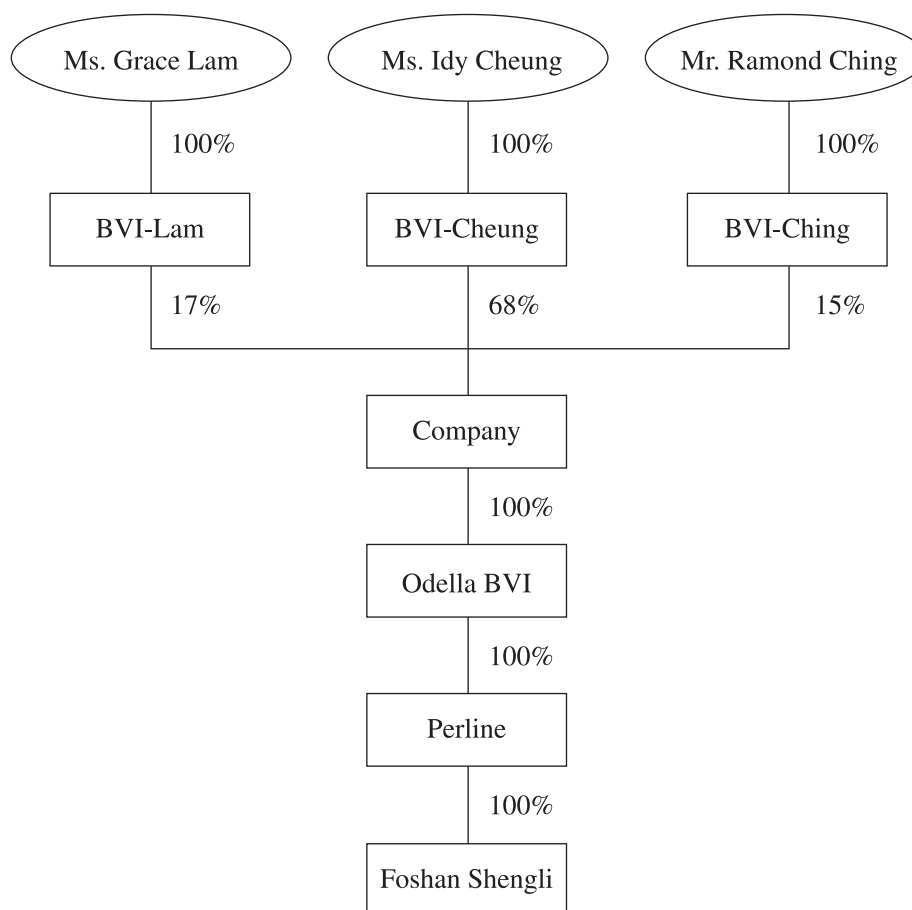
General

As advised by our PRC Legal Advisers, all necessary approvals, permits and licenses as required under the PRC law in relation our Reorganisation have been obtained by our Group.

HISTORY, DEVELOPMENT AND REORGANISATION

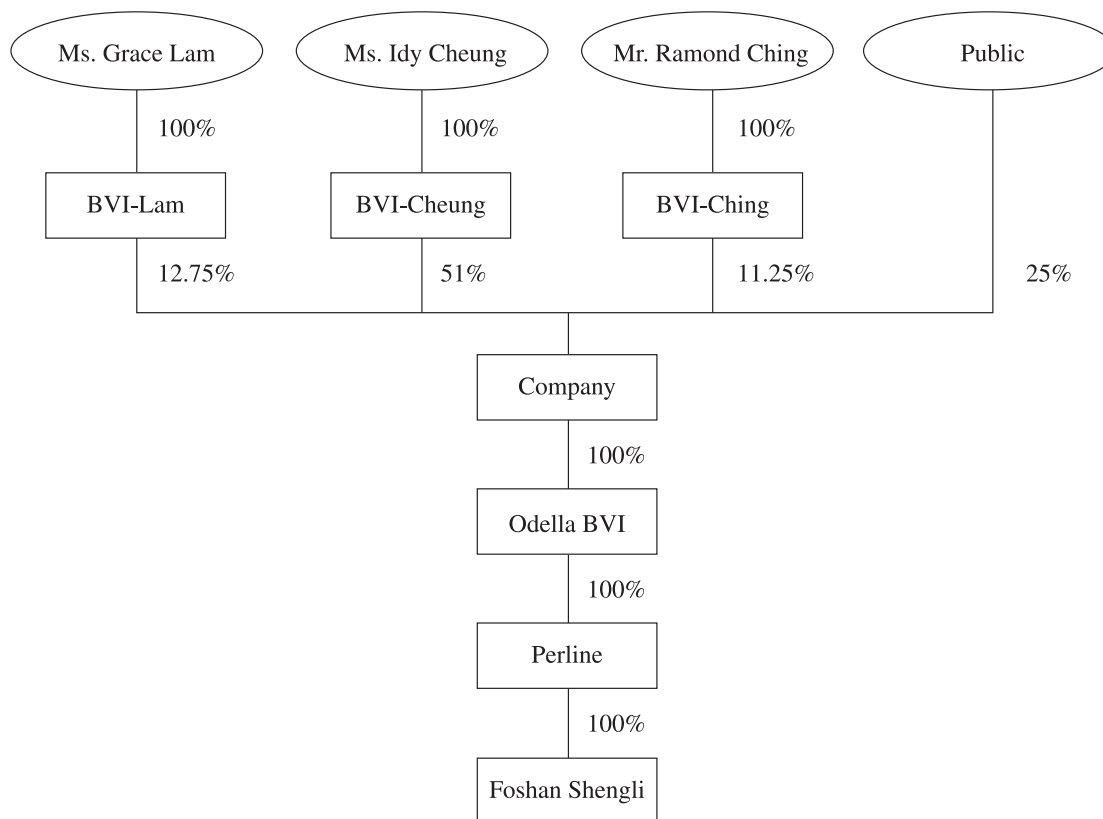
CORPORATE STRUCTURE

The following chart depicts the shareholding and corporate structure of our Group immediately after the Reorganisation:



HISTORY, DEVELOPMENT AND REORGANISATION

The following chart depicts the shareholding and corporate structure of our Group immediately after the completion of the Placing:



OVERVIEW

We specialise in the manufacture and sale of private label leather garments for our customers on original equipment manufacturers basis. During the Track Record Period, our major customers are mostly fashion brands. Based on the manufacturing price range of leather garments set out in the Industry Report, our products mainly fall under the high-end and middle-end categories of leather garments. We have an operation history of more than 20 years in the leather garment industry, and we pride ourselves on our possession of in-depth knowledge in the production process of leather garment products.

We strategically focus on:

- customers who include international and regional fashion brands, most of whom offer a broad spectrum of apparel and accessories under their own brands, and leather apparel forms only a minor portion of their product portfolio;
- offering our customers not only with our manufacturing services to produce leather apparel products, but also a range of ancillary pre-production product development services and post-production logistical services; and
- providing flexibility in the production scale for each purchase order by our customers, aiming to cater for their business needs and requirements in each case.

Headquartered in Hong Kong, we operate only one leased manufacturing base (namely, the Foshan Factory), which is located in Foshan, Guangdong Province, the PRC.

Leather as our principal raw material

In contrast to general garment manufacturers using textile or fabric materials for producing clothing, we specialise in using leather as the principal raw materials in manufacturing private label leather apparel products for our customers. Depending on our customers' preferences and specifications, the types of animal hides and skins used for our leather products are mainly those from lambs, goats, sheep, cows and pigs. We consider that, as compared to textile garment manufacturing, leather garment manufacturing demands special craftsmanship and familiarity in the handling of the principal raw material, leather. Due to the nature of leather garment manufacturing, our Directors regard our production workforce an essential element in our production process, as our business model relies on the skills and craftsmanship of our experienced workers to manufacture leather apparel products which can meet our customers' specifications and aesthetic requirements. Please see the paragraph headed "Industry Overview — Market Overview of Leather Garment Demand in Global Market" to this prospectus for further information on the leather and the leather garment industry.

Our business model

We are principally engaged in the manufacture and sale of leather apparel products which conform to the specifications and requirements prescribed by our customers, and our major customers consist mainly of fashion brands. In offering our manufacturing services, we often also provide to certain of our customers pre-production product development services and post-production logistical services depending on the needs and requirements for individual orders.

Manufacturing services

We produce leather garments, which include jackets, coats, pants, skirts, tops and vests, and for both women's and men's apparels, for our customers according to the specifications prescribed by them. During the Track Record Period, we have produced close to 115,000 pieces of leather garments for our customers, and a majority of them are leather jackets and coats. We charge our customers based on the number of units per purchase order, and we primarily make to order after the designs, specifications and sample products are confirmed and agreed. The production time, meaning from the placement of orders by our customers to the completion of final quality inspections of the finished products, varies for different orders but will generally take about 3 months, which will include approximately 2 months for ordering of the raw materials and approximately 1 month for the actual manufacturing process.

Pre-production product development services

We strategically focus on customers which include international and regional fashion brands, and which offer a broad spectrum of apparel and accessories under their own brands. We participate at the early stage of certain of our customers' pre-production product development and often offer such customers various pre-production product development services, including:

- sharing with our customers market intelligence on leather fashion trend and production knowhow
- providing samples of leather and offering recommendations to our customers on raw material selection
- giving suggestions to assist our customers in finetuning or adjusting their original designs so as to improve the efficiency of the production process
- producing mock-up products for our customers' consideration
- sourcing leather and other raw materials selected by our customers in producing their products
- producing sample products in accordance with the customers' requirements and designs before they decide on placing purchase orders with us

BUSINESS

As part of our overall service offerings, except for the sample products, in general we do not charge our customers separately for providing our pre-production product development services, and the sample products will be charged at a specified rate and such rate usually depends on whether the customers will proceed to place production orders with us after receiving our sample products.

Post-production logistical services

Apart from providing manufacturing services and pre-production product development services, we also offer post-production logistical services such as packaging and delivery services. All finished products will be packed carefully in accordance with our customers' specifications and requirements. Products produced at the Foshan Factory are usually delivered to Hong Kong before they are shipped or transferred to the designated locations of our customers.

Production on a made-to-order basis

As we produce leather garments according to our customers' specific requirements which may vary in each purchase order, our business operates primarily on a made-to-order basis and we normally will not stock up raw materials for our production. After a purchase order is confirmed by our customers, we will then place orders with our suppliers to purchase raw materials.

Pricing policy

We adopt a cost-plus pricing model. When determining the appropriate mark-up, we take into account the customer's acceptable range of product price based on our past dealings with the customer and a number of other factors such as the cost of raw materials and the size of the order. Our gross profit margin during the Track Record Period amounted to approximately 35.3%, 34.0% and 44.5% for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014, respectively. Please see "Financial Information — Results of operations of our Group – Review of historical operating results" of this prospectus.

Sale of products domestically within China

Our products are mainly sold by Perline, our wholly-owned subsidiary, to customers outside China. Apart from effecting sales through Perline, during the Track Record Period, our Foshan Shengli also sold products directly to customers within China. The direct sales from Foshan Shengli to customers within China represented an insignificant portion of our total sales during the Track Record Period. Please see "Business — Sales and marketing" below.

For further details on our business model, please refer to the paragraph headed "Business — Business model" below.

BUSINESS

Our financial performance

During the Track Record Period, our turnover is primarily derived from sale of leather garment products that we manufactured. Our sales of leather garment products for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014 amounted to approximately HK\$51,636,000, HK\$78,134,000 and HK\$22,180,000, which accounted for approximately 96.3%, 97.0% and 99.7% of our total turnover for each of the years ended 30 June 2013 and 2014 and the three months ended 30 September 2014, respectively. Apart from sale of leather garments, we also sold leather and accessories such as hangtags and linings, which comprise an insignificant portion of our revenue, representing approximately 3.7%, 3.0% and 0.3% of our total turnover for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014, respectively.

The following table sets forth our selected financial information for the Track Record Period:

	For the year ended 30 June		For the three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(Unaudited)</i>	
Turnover	53,607	80,586	25,804	22,244
Gross profit	18,907	27,369	8,552	9,904
Profit attributable to owners of our Company	7,128	12,896	4,410	1,322
	Units	Units	Units	Units
Sales volume of leather garment products	40,788	57,179	18,393	16,114

Please refer to the Accountants' Report and notes thereto set forth in Appendix I to this prospectus for further details of our financial results during the Track Record Period. Please also refer to paragraph headed "Summary — Recent developments subsequent to the Track Record Period" in this prospectus for our recent developments subsequent to the Track Record Period and financial performance of our Group for the two months ended 30 November 2014.

OUR COMPETITIVE STRENGTHS

We believe our success and potential future growth are attributable to the following principal competitive strengths:

We are able to serve international and well-known customers

While we have built up a diverse customer portfolio ranging from international renowned fashion brands to regional apparel brands throughout our more than 20 years of history, we are able to serve some international and well-known brand owners based in the United States and Australia and who are generally recognised for their fashionable apparels. We believe that such international and well-known brand customers generally demand high standard products and services from their suppliers. Leather is a raw material with a very diverse spectrum of textures, colours, hand-feel and other qualities, requiring craftsmanship and experience to select, process, manufacture and make into quality leather garments with desired looks. We believe that our craftsmanship in leather garment manufacturing is a principal factor enabling us to keep serving these customers, to meet their stringent quality requirements, and to maintain established relationships with them. Please see “Business — Customers” below for further details of our major customers.

We are able to offer a range of product development supports to our customers and provide flexibility in the production scale to meet our customers’ business needs

Most of our customers generally offer a broad collection of apparel and accessories in their own brands, and leather apparel forms only a minor portion of their product portfolio. We believe these customers, who are not specialised in offering leather apparel products, will rely on their approved leather manufacturers to provide certain product development supports to them. We are able to offer various product development supports to these customers ranging from sharing of market intelligence and trends on leather apparel, leather raw material sourcing and recommendations, to latest production knowhow (Please see “Business — Overview — Our business model — Pre-production product development services” for details of these services). Furthermore, we offer recommendations to our customers on raw material selection that meet the required aesthetics. Moreover, as some of our customers experiment with us by placing small orders and do not place bulk orders for leather garment products, our Directors believe that our flexible approach on product quantity per order is able to cater for the business needs of some of our customers. Please refer to the paragraph headed “Business model” in this section below for further details.

We maintain close business relationships with a wide list of leather suppliers

With our long operating history, we have established close and stable business relationships with a wide list of leather suppliers in Pakistan, China, Turkey, France, India, Italy and other countries, which we believe is vital to the success of our business. During the Track Record Period, we have maintained business relationships with approximately 40 leather suppliers. Our ability to provide pre-production development services and manufacture leather

garments which conform to our customers' specifications depends to a large extent on our ability to source various types of leather from a wide list of leather suppliers. Our close business relationships with our suppliers also keep us abreast of new development in the leather industry and enable us to introduce new leather types and provide new product development ideas to our customers.

We possess an experienced management team and experienced production workforce

Our management team is experienced and is focused on developing our business to meet the competition of the leather garment manufacturing industry, which we believe is a specialised industry. Ms. Grace Lam, our executive Director and Chief Executive Officer who is primarily responsible for the marketing function of our Group and also overseeing and directing the daily operations, has more than 15 years of experience in the leather garment manufacturing industry. Mr. Ramond Ching, our executive Director who is primarily responsible for the production function of our Group, has more than 27 years of experience in the garment and fine leather industry. Please refer to the section headed "Directors, senior management and staff" in this prospectus for details of their relevant experience.

Our Directors believe that the experience in sourcing, manufacturing and marketing of our management team in the leather garment manufacturing industry has been essential to our growth, and will be critical to our continued success and the implementation of our key strategies in the future.

Furthermore, we also possess a stable production workforce. As at the Latest Practicable Date, out of a total of 79 production workers (excluding quality control staff), we have 16 experienced sewing workers and cutter workers who have been with us for more than 5 years. Due to the nature of leather garment manufacturing, our Directors regard our production workforce an important factor to our growth.

OUR BUSINESS STRATEGIES

Our principal business objectives are to develop our business and achieve sustainable growth of our Group. We intend to achieve our business objectives by pursuing the following strategies:

Strengthening our business development capability

We intend to further strengthen our business development capability by expanding our marketing team to enhance our relations with our existing customers and expand our customer base, through our plans:

- to proactively approach and pay more visits to our existing customers and target potential customers by contacting them through business referrals and our business network, and share with them information on the leather fashion trends and provide them with information on new production techniques and materials. Through this approach, we aim to get a more comprehensive understanding on our individual

target-customers or potential customers in terms of their respective preferences, needs, constraints and strategies. With these insights, our Directors believe that we can develop a closer relationship with our customers;

- to participate in more trade fairs and fashion shows to increase the market presence of our Group and explore new business opportunities; and
- to strengthen our marketing coverage in and tap into the business potentials of the PRC market, by targeting specifically PRC mid-to-high end local fashion brands which, similar to our existing international customers, offer a range of ready-to-wear garments and accessories under their own brands, and leather apparel forms only a minor portion of their product portfolio, so as to maintain a more diversified customer base.

Though we have not entered into any long-term contracts with our customers, our Directors further believe that our marketing capability is crucial to maintaining and strengthening our customer base.

Enhancing our manufacturing facilities

We plan to examine and expand our production facilities to enhance our technical ability. While our business model does not purely depend on machine-based mass production, our Directors believe that enhancing our manufacturing facilities is important in upgrading our production capability. To this end, we intend to purchase new production equipment and machineries such as automatic flat press machine, sewing machines with special functions, computerised pattern cutting machine and automated button-attaching machines to replace certain old equipment and machineries and enhance our technical ability and production capability. The installation of more automated machineries is expected to increase our production efficiency. As our business further develops, our Directors believe that enhancing our production facilities allows us to meet the increasing demand for our production capability.

Further expansion of our Group's pre-production product development function

Our Directors consider that our product development support is one of the critical factors to our continuing success. With an aim to providing more pre-production development services, we intend to strengthen our design and development team and recruit more experienced product development staff to strengthen our pre-production development support to our customers. We also intend to provide the team with systematic trainings on selection of leather, fashion industry trends and new production techniques and materials. We will continue to develop and create more pre-production product development ideas to enhance our product development support.

Our Directors believe that by enhancing our pre-production product development support, we can better serve a more diversified base of customers with constant demand for new fashion ideas and innovation in apparel designs and styles.

Expansion of our sourcing capability

We will strengthen our sourcing capability by recruiting more staff or agent to expand our geographical coverage of suppliers and source more variety of leather raw materials to provide more choices of leather and product ideas to our customers. As the quality of our products depends on the quality of our principal raw materials used, we also plan to make more supplier visits to examine their production process and strengthen our quality control on leather raw materials.

Our Directors believe that by expanding our sourcing capability, we can have a wider source of raw materials and have better quality assurance on our products.

Implementation of the business strategies

As at the Latest Practicable Date, our Group did not have any acquisition plan.

For further details on the implementation of the above-mentioned business strategies of the Group, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

BUSINESS MODEL

Our business model is illustrated in the following diagram:



Pre-production product development services

As part of our marketing efforts, we participate at the early stage of certain of our customers' pre-production product development and often offer them various pre-product development services.

We keep close contact with our leather suppliers and regularly attend leather trade fairs to keep us abreast of new development in the leather industry. Our leather suppliers provide us with a variety of samples of leather. We will then share with certain of our customers market intelligence on leather fashion trend and production knowhow as well as providing samples of leather and recommendations to our customers for their consideration. We will produce mock-up products which are parts of a garment product for demonstration of the product design or features for our customers' consideration. We will also give suggestions to assist our customers in finetuning or adjusting their original designs so as to improve the efficiency of the production process and to give the desired effect of their designs. We are flexible in trying new types of leather with different

textures, colour and hand-feel, and we will collaborate with our suppliers in offering our customers with leather raw materials processed in the ways which satisfy their preference. In doing so, various treatments such as drumming and milling or enzyme washing will be used. Drumming and milling of leathers, which is conducted by leather suppliers, generally involves a tanning process where the leathers are tumbled by rotating the drum quickly to create a more evident grain and a smooth surface. For leather garments, the drumming and milling process is carried out in a milling machine. For enzyme washing, it is part of a laundering process with certain specific types of enzyme added to purify and/or wash out the colour on the surface of the leather or garment fabrics to make the leather garment products with a worn-out look. To better serve our customers' needs and requirements and at their request, we also produce and revise sample products for our customers' consideration after receiving the product designs from them but before they place bulk purchase orders with us.

Except for the sample products, in general, we do not charge our customers separately for offering pre-production product development services, and the sample products will be charged at a specified rate, which will usually be a mark-up ranging from 50% to 100%, if the customers do not proceed to place production orders with us after receiving our sample products. In the event that the customers proceed to place production orders with us, we do not charge our customers separately for the service of producing sample products, as such service was taken into account when we prepare our pricing for the manufacturing services.

We believe the provision of pre-production product development services as part of our business model helps us better understand the needs of our customers, which enables us to satisfy their stringent requirements, develop solid relationships with our customers and has the chance to capture potential business opportunities with them.

Manufacturing services

The provision of manufacturing services is our primary business and we produce all the leather garment products according to our customers' specifications and under their brands or labels. We adopt a cost-plus pricing model and charge our customers based on the number of units per purchase order, and in most occasions we make to order after the designs, specifications and samples are confirmed and agreed.

We provide flexibility in the production scale for each purchase order by our customers. During the Track Record Period, our production scale for each purchase order (excluding orders for sample products) ranges from about 100 to over 3,000 pieces. As some of our customers do not usually place bulk orders for leather garment products, our Directors believe that our flexible approach on product quantity per order is able to cater for the business needs of these customers. Our Directors believe that customers highly appreciate this agile approach which suits our customers' business requirements.

After our customers confirm their product designs and place orders with us, we will proceed to purchase the raw materials from our suppliers and manufacture the garment products at the Foshan Factory. Our business operates primarily on a made-to-order basis and we normally will not

BUSINESS

stock up raw materials for our production, and we place purchase orders with our suppliers after the customers' orders are confirmed. Our suppliers of leather are tanneries located in different parts of the world including Pakistan, China, France, Turkey, India and Italy. We place great emphasis on the quality of our products and our employees monitor the major stages of the production process from raw material procurement to final delivery to ensure that the finished products comply strictly with our customers' specifications and requirements.

The production time, meaning from the placement of orders by our customers to the completion of final quality inspections of the finished products, varies for different orders but will generally take about 3 months, which will include approximately 2 months for ordering the raw materials and approximately 1 month for the actual manufacturing process.

For further details of our production process, please refer to "Production process" below.

Post-production logistical services

Apart from providing manufacturing services and pre-production product development services, we also offer post-production logistical services such as packaging and delivery services. We do not charge our customers separately for offering these post-production logistical services, as these services were taken into account when we prepare our pricing for the manufacturing services. After manufacturing our products at the Foshan Factory and our customers have conducted physical inspection and testing of all the finished products, we will proceed to packaging and delivery of the products.

All finished products are packed carefully in accordance with our customers' specifications and requirements. Products produced at the Foshan Factory are usually delivered to Hong Kong before they are shipped or transferred to the designated locations of our customers.

Production on a made-to-order basis

As we produce leather garments according to our customers' specific requirements which may vary in each purchase order, our business operates primarily on a made-to-order basis and we normally will not stock up raw materials for our production. After a purchase order is confirmed by our customers, we will then place orders with our suppliers to purchase raw materials.

CUSTOMERS

We have a diverse customer base. We have approximately 50 customers who placed orders with us during the Track Record Period. These customers include international and well-known fashion brand owners based in the United States and Australia, their representatives or sourcing agents in Asia, and other apparel brand owners. Given that most of these international fashion houses and other apparel brand owners generally offer a broad spectrum of ready-to-wear apparel and accessories under their own brands, and leather apparel forms only a minor portion of their product portfolio, our Directors believe that these customers may place greater reliance on the expertise and experience of leather garments suppliers than those of their mainstream products.

Thus, our Directors believe that our experience in the production process of leather apparel, our offers of pre-production product development services and post-production logistics services, as well as our flexible production scale are valuable to and highly appreciated by our customers.

We have various modes of communication to secure our orders with our customers, including communicating directly with our customers' headquarters overseas; and working closely with our customers' merchandising arms or sourcing agents in Hong Kong.

Although we do not have long-term purchase commitments with our customers, we have been maintaining business relationship with our major customers who are our top five customers in terms of revenue during the Track Record Period ranging from 1 year to over 10 years. Furthermore, our customers have not imposed any restriction on us to trade with any other customers. In terms of production capacity, we are a small-scale manufacturer of leather apparels. Please refer to the paragraph headed "Production capacity and utilisation rates" in this section below for further details. We are able to offer our customers flexibility in the production scale for each purchase order. Despite having been in business for over 20 years, we maintain a relatively small customer base. In respect only of the two years ended 30 June 2013 and 2014, three of our top five customers have remained the same, and they accounted for approximately 36.0% and 42.1% of our turnover during these two years.

Our Directors believe that based on our actual experience, the volume of business with each of our regular customers, namely, those with whom we have had a business history of at least three years, the ranking of their business volume with us vary from time to time. Furthermore, some of our customers in a given year did not place any orders with us in the following year. Our Directors believe that the reason for such change in the ranking of their business volume with us and any variation in order size from our customers are attributable to a number of factors, including but not limited to the following:

- these customers do not have any long-term purchase commitments with us which resulted in uncertainty of the volume of purchaser orders which our customers may place with us from time to time;
- changes in our customers' business strategies or plans, our customers' business needs or the direction of our customers' product emphasis;
- consumers' preference and fashion trends;

In light of the above factors, a top ten customer of our Group for any given year may, in the following year fall outside the top ten list, but return to the top ten list later, or not at all. The sales volume previously undertaken for that customer would then be filled by another customer, usually another existing customer. Despite the variation of order size and patterns from our top customers, we have been able to maintain a rising turnover during the Track Record Period because our sales orders and our customer base are diverse. Our Directors believe that we are able to allocate resources to develop business with our other customers, and from new customers. For new

customers, we target to develop a business relationship with only customers who have a recognisable brand name. In our experience, branded customers are more able to command higher prices for their products, and are thus able to order high value items of leather apparels from us.

We expect to experience for the first half of our current financial year ending 30 June 2015 a fall in the sales value derived from three of our top five customers for the year ended 30 June 2014 as compared to the sales value derived from them in the same period in 2014. The principal reason for a considerable drop in their sales value is due to a fall in the number of units of leather apparel ordered. However, our Group is expected to secure purchase orders from new and existing customers. Based, however, on current confirmed orders for the first half of the current financial year, we expect that we should be able to maintain the same level of turnover as that for the corresponding first half of our last completed financial year ended 30 June 2014. Please also refer to paragraph headed “Summary — Recent developments subsequent to the Track Record Period” in this prospectus for our recent developments subsequent to the Track Record Period and financial performance of our Group for the two months ended 30 November 2014.

Top five customers

Our sales to our top five customers for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014 amounted to approximately HK\$29,446,000, HK\$52,610,000 and HK\$14,427,000 respectively, which attributed to approximately 54.9%, 65.3% and 64.9% of our total turnover for the respective years. Our sales to our largest customer for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014 amounted to approximately HK\$9,791,000, HK\$18,267,000 and HK\$6,022,000 respectively, which accounted approximately 18.3%, 22.7% and 27.1% of our total turnover for the respective years.

BUSINESS

The table below is a breakdown of our turnover by our top five customers during the Track Record Period:

For the three months ended 30 September 2014:

Customers	Sales (approximately)	
	HK\$'000	% (to our Group's total turnover)
Largest: Customer C	6,022	27.1
2nd largest: Customer A	2,570	11.6
3rd largest: Customer B	2,138	9.6
4th largest: Customer H	2,013	9.0
5th largest: Customer I	1,684	7.6
Total turnover derived from our five largest customers	14,427	64.9
All other customers	7,817	35.1
Total	<u>22,244</u>	<u>100.0</u>

For the year ended 30 June 2014:

Customers	Sales (approximately)	
	HK\$'000	% (to our Group's total turnover)
Largest: Customer A	18,267	22.7
2nd largest: Customer B	13,099	16.2
3rd largest: Customer C	10,289	12.8
4th largest: Customer D	5,619	7.0
5th largest: Customer E	5,336	6.6
Total turnover derived from our five largest customers	52,610	65.3
All other customers	27,976	34.7
Total	<u>80,586</u>	<u>100.0</u>

BUSINESS

For the year ended 30 June 2013:

Customers	Sales (approximately)	
	HK\$'000	% (to our Group's total turnover)
Largest: Customer A	9,791	18.3
2nd largest: Customer F	5,097	9.5
3rd largest: Customer G	5,030	9.4
4th largest: Customer E	4,998	9.3
5th largest: Customer C	4,530	8.4
Total turnover derived from our five largest customers	29,446	54.9
All other customers	24,161	45.1
Total	53,607	100.0

The following table sets out the information about the above customers:

Customers	Basic Background (Note 1)	Usual payment methods	Years of Relationship with our Group
Customer A	It is an international brand based in the United States. Its collection includes ready-to-wear, shoes, handbags and accessories.	Payment of a deposit of 30% of the order amount and settlement of the remaining balance after receiving our invoice and before shipment. Payment by telegraphic transfers No credit term is offered	3 years
Customer B	Based in the United States, it is a global accessories, footwear and apparel company.	Full payment after shipment Payment by telegraphic transfer A credit period of 20 days is given	10 years

BUSINESS

Customers	Basic Background (Note 1)	Usual payment methods	Years of Relationship with our Group
Customer C	Founded in the United States, it is an international fashion brand primarily produces apparel. It has stores in several countries including Japan and the United States	Payment by letter of credit No credit term is offered	3 years
Customer D	It engages in sourcing and selling one of the internationally renowned fashion brands of apparel products.	Payment of a deposit of 30% of the order amount and settlement of the remaining balance after receiving our invoice and before shipment. Payment by telegraphic transfers No credit term is offered	10 years
Customer E	It is a national retailer of clothing in Australia.	Payment of a deposit of 30% of the order amount and settlement of the remaining balance after receiving our invoice and after shipment. A credit period of 2 weeks is given	3 years
Customer F	It is an international, multi-channel retailer selling a wide range of products including sportswear, fine gifts, luggage and travel accessories. It has stores in the United States and the United Kingdom.	Payment by letter of credit No credit term is offered	7 years
Customer G (Note 2)	It is an Asia purveyor of luxury fashion and has managed several brands worldwide.	Payment by letter of credit No credit term is offered	5 years
Customer H	It is one of Australia's largest specialty fashion retailers in the mid to upper tier of specialty fashion, and operates store network in Australia, New Zealand and South Africa.	Full payment after shipment Payment by telegraphic transfer A credit period of 2 weeks is given	1 year

BUSINESS

Customers	Basic Background <i>(Note 1)</i>	Usual payment methods	Years of Relationship with our Group
Customer I	Based in the United States, it is a design driven company, and its mission is to represent the international pulse of New York in the design, marketing and delivery of a complete lifestyle system to a global customer.	Payment by letter of credit No credit term is offered	10 years

Notes:

1. The source of information relating to the above basic background of the major customers is primarily based on the information on their respective websites.
2. While this customer is a purveyor of various brands, it sourced products for a particular brand from us and we also supplied products of the same brand to another top customer during the Track Record Period (namely Customer D).

In respect of one of our largest customers of the Track Record Period, we purchased from it some raw material accessories such as fabrics, linings, buttons, labels and tags for the production of its own products in accordance with its specifications and requirements. The sales attributable to this largest customer for each of the two years ended 30 June 2014 and the three months ended 30 September 2014 amounted to approximately HK\$9,791,000, HK\$18,267,000 and HK\$2,570,000 respectively, which represent about 18.3%, 22.7% and 11.6% of our total turnover for such periods, respectively. The purchase of raw material accessories from this customer amounted to HK\$41,000, HK\$261,000 and nil for each of the two years ended 30 June 2014 and the three months ended 30 September 2014 respectively, which represent about 0.1%, 0.6% and nil of our total purchase of raw materials for such periods, respectively.

None of our Directors, their associates, or any Shareholders who owned more than 5% of the share capital of the Company as at the Latest Practicable Date had any interest in any of the five largest customers of our Group during the Track Record Period.

Salient features of a typical sales transaction

We have not entered into any long term contractual arrangements with our customers, which our Directors believe is in line with the normal practice in the leather garment industry. Nevertheless, we have maintained established business relationships with many of our major customers for 1 year to 10 years.

BUSINESS

For each transaction, our customer places a purchase order with us and we confirm the purchase by issuing a sales confirmation to our customer. The salient terms of a sales transaction are set out below:

- Product description: including the product designs and specifications, materials to be used and sizes, and for each purchase order, the sizing measurements may be different;
- Quantity of the order: the number of leather garments to be manufactured for each size and the total number to be manufactured;
- Unit price and total amount of the order;
- Payment terms: We will grant credit period to some of our customers based on factors such as the number of years of our business relationship with them and their payment record, while in some other cases, we require our customers to pay a deposit of 30% of the order amount and settle the remaining balance after receiving our invoices. Payments are usually settled through telegraphic transfers, or by letter of credit at sight; and
- Delivery terms: The usual logistic terms are free on board (“FOB”). We are responsible for the transportation of the goods to the port of shipment and loading costs whilst our customers pay for the marine freight transport, insurance, unloading, and transportation from the arrival port to the final destination. The risk in and title to the products are passed to our customers upon the arrival and unloading of the product at the shipment port.

SALES AND MARKETING

Our sales and marketing department is primarily responsible for the sales and marketing of our Group. Its duties mainly include identifying and approaching potential customers, communicating with existing customers and providing sales support. Ms. Grace Lam is in charge of our sales and marketing and she has over 15 years of experience in the leather garment industry, thorough understanding of our products and has good working relationships with our customers. We plan to expand our sales and marketing team to assist in broadening our customer base.

We generally conduct business with our customers both directly and in some other cases through their representatives or sourcing agents. Our Directors believe that it enables us to have flexible production schedules and to provide tailor-made personalised services to our customers while avoiding additional costs incurred by selling through intermediaries.

Our Directors consider that it is important for us to maintain a diverse customer base so as to reduce the risk of concentration on a few major customers. To this end, we aim to diversify and expand our customer base. We proactively approach potential customers for business opportunities by contacting them through business referrals and our business network. To achieve a more diversified geographical coverage, we also intend to strengthen our marketing efforts in and tap into the business potentials of the PRC market by targeting specifically PRC mid-to-high end local

BUSINESS

fashion brands. Our marketing efforts mainly include paying visits to our customers and potential customers, sharing with them market intelligence on leather fashion trend and production knowhow, providing samples of leather and recommendations to them on raw material selection. To further promote our Group, we also participate in trade fairs, such as some international exhibitions for apparel held in Beijing and Shenzhen.

Our business model does not involve any distributorship, franchising or consignment. We manufacture products according to the product specifications in the purchase orders provided by our customers, and in turn our customers will sell the products under their own brand names to their retailers or distributors mostly outside China in overseas markets.

Our products are mainly sold by Perline to customers outside China. Apart from effecting sales in Hong Kong through Perline, during the Track Record Period, we, through our Foshan Shengli, have also sold certain products directly to customers within the PRC, in the following occasions:

- during the Track Record Period, a minor portion of the leather garment products manufactured by Foshan Shengli at the Foshan Factory were made from raw materials sourced within China by Foshan Shengli. In the event of Foshan Shengli's direct export sales of such products which were made from raw materials sourced within China, Foshan Shengli would be required to undergo the customs declaration procedures such as preparing filings to the PRC customs authority. Furthermore, the raw materials purchased by Foshan Shengli domestically were subject to payment of value-added tax ("VAT"), which had been included as part of the purchase price paid by Foshan Shengli. Under the relevant PRC laws and regulations, for the goods exported by manufacturing enterprises or trading enterprises, such enterprises may apply for VAT refund, or the exemption from VAT to the relevant tax authority. Foshan Shengli is entitled to claim for refund of VAT in case of an export sale of the products manufactured by Foshan Shengli from such domestically purchased raw materials. However, additional administrative work involving relatively tedious and time-consuming procedures for the refund of VAT would be incurred. As such, in order to streamline the two types of business operations of Foshan Shengli (namely, (i) the provision of processing services to Perline under the processing arrangement (which is the main business activity undertaken by Foshan Shengli); and (ii) the manufacture and sale of garments produced from raw materials purchased by Foshan Shengli domestically (which made up only a minor portion of the production by Foshan Shengli)) and to better allocate the resources to the main business operation of performing processing services, Foshan Shengli sold such products which were produced from raw materials purchased by Foshan Shengli domestically to an import and export company ("IE Co") in China, which is an Independent Third Party, as a domestic sale, instead of directly selling such products to Perline as an export sale by Foshan Shengli. In turn, the IE Co re-sold the products to Perline under a sale and re-sale arrangement. Under this arrangement, the procedures for the refund of VAT and the customs declaration procedures for export sale to Perline were undertaken by the IE Co. As such, this sale and re-sale arrangement was made to facilitate customs declaration as

the leather raw materials were sourced domestically by Foshan Shengli in China. Our selection criteria of the IE Co, which was referred to us by a friend of Foshan Shengli's legal representative, are mainly based on its experience and familiarity in handling the customs declaration procedures, its quality of service and its convenient location which is being close to the Foshan Factory. As advised by our PRC Legal Advisers, the arrangement involving the sale of garment products by Foshan Shengli to the IE Co and the subsequent re-sale of the garment products by the IE Co to Perline is in compliance with all the relevant PRC laws and regulations. The sales by Foshan Shengli to IE Co, which IE Co then re-sold the same garment products to Perline, amounted to approximately HK\$1,140,000, HK\$2,338,000 and nil for the financial year ended 30 June 2013 and 2014 and the three months ended 30 September 2014, respectively, and are accounted for as intra-group sales during the Track Record Period; and

- during the financial year ended 30 June 2014 and the three months ended 30 September 2014, Foshan Shengli also sold garment products to domestic customers in China, which are Independent Third Parties, for an insignificant sales amount of approximately HK\$238,000 and HK\$521,000, respectively.

Other than the above sales transactions, our Group did not effect any direct domestic sales in the PRC during the Track Record Period. Our PRC Legal Advisers are of the view that Foshan Shengli as a WFOE which is permitted to sell products made by itself both within and outside China, and to source raw materials within China.

During the Track Record Period, the United States, Hong Kong and Australia were our major markets with reference to the destination of our product delivery as stipulated in our customers' purchase orders, which in aggregate contributed approximately 88%, 80% and 76% of our revenue for the years ended 30 June 2013 and 2014 and the three months ended 30 September 2014 respectively. Nevertheless, depending on our customers' sales network and needs, our products may be further forwarded to other countries by our customers. Please refer to paragraph headed "Financial Information — Results of operations of our Group — Geographical coverage" in this prospectus for the breakdown of our revenue during the Track Record Period with respect to geographical areas.

Pricing policy

We adopt a cost-plus pricing model which takes into account a range of factors when determining the price of our products. The factors include the cost of sales such as the cost of raw materials, labour costs, the size of the order, the complexity of the product design and the manufacturing process, the packaging and transportation costs, the customer's relationship with our Group, the customer's approximate retail price of the products, and mark-up.

When determining the appropriate mark-up, we also consider the customer's acceptable range of product price based on our past dealings with the customer. Our gross profit margin during the Track Record Period amounted to approximately 35.3%, 34.0% and 44.5% for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014, respectively.

PRODUCTS AND SERVICES

Apart from offering our manufacturing services which is our primary business, we often also provide to our customers certain pre-production product development services and post-production logistical services depending on the needs and requirements for individual orders. Please refer to “Business model” above for further details of the services offered by us.

Products

We manufacture a wide variety of leather garments, including jackets, pants, skirts, tops and vests, dresses, and coats. Our products are manufactured according to our customers’ specifications and under private labels owned or specified by our customers. The raw materials of our leather products are mainly animal hides and skins from lambs, goats, sheep, cows and pigs. The specific materials used to produce the products depend on our customers’ preferences and specifications. Apart from garments made of purely leather, some products also blended with wool and fabric materials.

Set out below are some products manufactured by us.



BUSINESS

For each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014, our sales volume of leather garment products was 40,788 units, 57,179 units and 16,114 units respectively, and our major products are leather jackets and coats. Please refer to paragraph headed “Financial Information — Results of operations of our Group — Revenue” in this prospectus for the breakdown of our leather products by type during the Track Record Period.

We set out below the price ranges by our leather garment product types and their average selling prices during the Track Record Period.

	For the year ended 30 June				For the three months ended 30 September			
	2013		2014		2013		2014	
	Average selling price		Average selling price		Average selling price		Average selling price	
	Price range	(Note 1)	Price range	(Note 1)	Price range	(Note 1)	Price range	(Note 1)
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Women								
— Jacket and coat	449 to 11,416	1,323	436 to 6,144	1,450	436 to 3,408	1,577	489 to 4,487	1,131
— Pants	381 to 4,479	1,460	200 to 4,349	1,606	1,131 to 2,855	1,495	1,669 to 1,669	1,669
— Skirt	464 to 3,557	827	283 to 7,159	1,043	283 to 1,788	1,083	406 to 2,848	796
— Top and vest	489 to 6,240	899	101 to 7,550	939	2,736 to 2,736	2,736	1,490 to 2,981	1,540
— Others (Note 2)	100 to 4,847	920	300 to 7,713	1,104	710 to 2,429	882	524 to 1,460	949
Men								
— Jacket and coat	776 to 9,126	1,365	762 to 14,711	1,570	762 to 4,150	1,624	939 to 7,142	1,795
— Others (Note 2)	250 to 4,130	1,316	1,112 to 10,415	1,224	1,112 to 2,667	1,233	1,136 to 1,136	1,136

Notes:

1. The average selling price represented the selling price of our products to our customers and not the retail price of our products sold by our customers.
2. During the Track Record Period, other products for women included dress and shorts, and other products for men included pants, blazer and vest.

SEASONALITY

Our business is impacted by seasonality in the leather garment market and changes in the leather garment trends, especially those in the United States and Australia.

Based on our experience, for our customers from the northern hemisphere (i.e. mainly from the United States), we will generally deliver the products to them from March to August, which is the usual delivery time for products of their winter season’s collection. For our customers from the southern hemisphere (i.e. mainly from Australia), we will generally deliver the products to them from December to January. Since our sales to our customers from the United States are generally

BUSINESS

more than that to our customers from Australia, the overall effect is that we have a relatively higher level of sales from March to August, while September to February are generally the slack season of our sales.

During each of the two years ended 30 June 2014 and the three months ended 30 September 2014, the seasonality effect on our business is not very significant. To avoid high volatility of the purchase orders received during certain periods and balance out our production schedule, we try to plan ahead in each year our production schedule and secure some purchase orders from some of our customers for our low season. Our turnover recognised during the period from July and August 2012 and from March to June 2013 accounted for approximately 60% of our annual turnover for the year ended 30 June 2013, whereas our turnover recognised during the period from July and August 2013 and from March to June 2014 accounted for approximately 57% of our annual turnover for the year ended 30 June 2014.

PRODUCTION

Production facilities

Our production base is the Foshan Factory. Please refer to the table below which summarises the information of the Foshan Factory as at the Latest Practicable Date:

<u>Production base</u>	<u>Location</u>	<u>Total gross floor area (approximately)</u>	<u>Year of commencement of manufacturing operation</u>	<u>Workforce as at Latest Practicable Date</u>
Foshan Factory	3/F, Block A1, Hantian Electronics City, Dong Ping Road, Gweicheng, Nanhai, Foshan, Guangdong, China (中國廣東佛山市南海桂城瀚天科技城A1座三樓) (formerly known as 3/F, Block 1, Beiyue Industrial Zone, Guicheng Electronics City, Foshan, Guangdong, China (中國廣東省佛山市桂城科技園北約工業區1座廠房第三層))	3,168 sq.m.	2004	104

Our products made for the production orders received by Perline are manufactured by Foshan Shengli pursuant to a processing arrangement with Perline. Please refer to the paragraphs headed “Processing Arrangement” below for further details.

Foshan Shengli is a WFOE and has obtained the requisite approval to perform processing work and carry out domestic sales in China. It has been providing processing services for Perline since 2004. Apart from providing processing services to Perline, Foshan Shengli has also sourced a minor portion of our raw materials domestically within China and sold certain products directly to customers in China. Please refer to the paragraph “Sales and marketing” above for further details.

Processing Arrangement

As mentioned above, our products are manufactured by the Foshan Factory pursuant to the processing arrangement made between our two wholly-owned subsidiaries, Foshan Shengli and Perline.

Perline placed production orders to Foshan Shengli, which provided processing services to Perline and manufactured the products in accordance with the specifications provided by Perline.

Our processing arrangements should be distinguished from the compensation trade (三來一補) processing arrangements commonly seen in some areas in China, as Foshan Shengli is a WFOE which may perform processing work as well as carry out domestic sales in China on its own. Furthermore:

- the production equipment in the Foshan Factory was owned by Foshan Shengli and not supplied by Perline pursuant to a compensation trade arrangement, and the wages of the workers in the Foshan Factory are not paid or reimbursed by Perline to Foshan Shengli;
- there is no fixed and long term processing agreement between Perline and Foshan Shengli which is approved by the relevant local authorities. Instead, Perline places individual production orders with specified quantity and product types to Foshan Shengli by way of individual processing agreements. At any given time, there could exist a number of processing agreements between Perline and Foshan Shengli for different batches of orders; and
- both Perline and Foshan Shengli are wholly-owned subsidiaries of our Company.

Foshan Shengli has been providing processing services to Perline since 2004 and had entered into processing agreements with Perline from time to time. The salient features of a typical processing agreement are summarised below:

Term and Quantity

Each of the processing agreements usually has a duration of around one year, and covers the processing services required to be performed by Foshan Shengli for that duration based on the customers' orders and our estimated production schedule for the period concerned. If the quantity of raw materials provided by Perline pursuant to the processing agreement is in excess of the quantity required for production purpose upon expiry of the term of the agreement, the remaining raw materials under the processing agreement will be subject to settlement for customs clearance purpose.

Primary responsibilities

The following common terms which govern the primary responsibilities of the parties are contained in the Processing Agreements:

- (a) Foshan Shengli shall provide processing services to Perline;
- (b) Perline shall provide leather raw materials, ancillary materials and packaging materials to Foshan Shengli by batches from the commencement period of the agreement and shall also pay processing fees;
- (c) Perline shall pay Foshan Shengli the processing fees by telegraphic transfer;
- (d) Foshan Shengli shall deliver the finished products to Perline on FOB terms (i.e free on board) by batches during the term of the agreement; and
- (e) Foshan Shengli shall take out insurance of the assets of Perline on behalf of Perline, and Perline shall be responsible for payment of the insurance premium.

The processing arrangement between Perline and Foshan Shengli is essentially an arrangement whereby Perline provides leather raw materials, ancillary materials and other packaging materials to Foshan Shengli for processing. In return, Foshan Shengli receives processing fees from Perline for the processing services rendered in manufacturing the leather garments pursuant to the terms of the relevant processing agreement. Since the leather raw materials, ancillary materials and other packaging materials are not sold by Perline to Foshan Shengli, but are merely provided to Foshan Shengli under a processing arrangement, the ownership and also the related risk of loss of such materials remains belonging to Perline under this processing arrangement. As such, the delivery of the subsequent finished products manufactured by Foshan Shengli from these materials to Perline pursuant to the processing arrangement does not involve any sale or transfer of ownership from Foshan Shengli to Perline.

Processing fees

As the processing arrangement between Perline and Foshan Shengli does not involve any sale of finished products manufactured by Foshan Shengli, Perline pays processing fees rather than purchase price to Foshan Shengli. For each of the two years ended 30 June 2013 and 2014, the annual processing fee paid by Perline to Foshan Shengli amounted to approximately HK\$6,160,000 and HK\$8,600,000 respectively. For the three months ended 30 September 2014, the processing fee paid by Perline to Foshan Shengli amounted to approximately HK\$2,497,000. The processing fees for each type of leather garment products manufactured by Foshan Shengli are set out in the Processing Agreements. The processing fees charged by Foshan Shengli were on normal commercial terms and were determined based on the costs (such as direct labour costs and related production overheads) incurred by Foshan Shengli and the complexity of the work done.

Relevant processing trade approvals

Our PRC Legal Advisers have advised us that Foshan Shengli has obtained the relevant approvals in relation to the Processing Agreements required under the applicable rules and regulations in the PRC as set out under the paragraph headed “Regulations — The PRC — Processing Trade” in this prospectus. In relation to the processing trade business conducted before August 2013, Foshan Shengli obtained the Certificate of State of Operation and Production Capacity of the Trade Processing Enterprise (加工貿易企業經營狀況及生產能力證明) (which generally has a validity period of one year) issued by the competent Commerce Authority. It also obtained the Processing Trade Business Approval Certificate (加工貿易業務批准證) issued by the competent Commerce Authority and went through customs filing procedures required for the processing agreements. For the processing trade business conducted after August 2013, Foshan Shengli was no longer required to obtain the Processing Trade Business Approval Certificate for the processing agreements within the trial period of three years according to Notice 9 and Notice 68. Instead, it directly conducted the relevant customs filing procedures with the Certificate of State of Operation and Production Capacity of the Trade Processing Enterprise pursuant to the applicable rules and regulations in the PRC. Please also refer to the paragraph headed “Regulations — The PRC — Processing Trade” in this prospectus for further details.

Our PRC Legal Advisers have further advised us that the terms of the Processing Agreements are in compliance with the applicable laws and regulations of the PRC, legally valid and enforceable, and the relevant processing arrangement is also in compliance with the applicable rules and regulations in the PRC as set out under the paragraph headed “Regulations — The PRC — Processing Trade” in this prospectus. Our PRC Legal Advisers have further confirmed that the Processing Agreements have been filed with the relevant customs authority.

Please also refer to the paragraph headed “Financial Information — Taxation” in this prospectus for information regarding the related party transaction reports filed by Foshan Shengli under the relevant PRC tax laws and regulation.

Production workforce

We consider that, as compared to textile garment manufacturing, leather garment manufacturing demands special craftsmanship and familiarity in the handling of the principal raw material, leather. Due to the nature of leather garment manufacturing, our Directors regard our production workforce an essential element in our production process, as our production process relies on the skills and craftsmanship of our experienced workers, including sewing workers and cutter workers, to manufacture leather apparel products which can meet our customers’ specifications and aesthetic requirements.

Among these production staff, sewing workers and cutter workers are an important production force, and we depend on skilful and experienced workers for the sewing work and cutting of leather materials. As at 30 June 2013, 30 June 2014, 30 September 2014 and the Latest Practicable Date, we maintained a total number of 58, 54, 53 and 51 workers respectively for performing the sewing

work and leather cutting. Furthermore, out of these workers, we possess a stable production workforce of more than 15 experienced sewing workers and cutter workers who have been with us for more than 5 years.

Production capacity and utilisation rates

As at the Latest Practicable Date, we had approximately 153 sets of machinery and equipment such as sewing machines, zig-zag machines, leather trimming machines, leather skiving machines and rivet tacking machines. All production machinery and equipment are owned by us.

In general, our production machinery and equipment have an estimated useable life ranging from 5 to 10 years. The following table sets out the age of our production machinery and equipment:

<u>Number of sets of production machinery and equipment</u>	
5 years or below	7
More than 5 years (<i>Note</i>)	146

Note: The majority of the 146 sets of production machinery and equipment that are aged more than 5 years are sewing machines.

We conduct regular maintenance on our production machinery and equipment. Such regular maintenance works are mainly performed by our own in-house technicians. It is not necessary to suspend the operation of the Foshan Factory in order to carry out regular maintenance and as such, we had not experienced any disruption in our production due to regular maintenance during the Track Record Period and up to the Latest Practicable Date.

Our manufacturing process generally does not involve machine-based automation. We rely on our skilled and experienced workers to produce leather garment products for our customers. The carrying amount of our principal fixed assets for production, being the machinery and equipment, as at 30 June 2013, 30 June 2014 and 30 September 2014 amounted to approximately HK\$126,000, HK\$150,000 and HK\$140,000, respectively. In considering the scale of revenue and net profit recorded during the Track Record Period, our return on such fixed assets was relatively high. It was principally due to the fact that our business model does not purely depend on machine-based mass production and does not require substantial capital investments on production equipment and machinery. Most of our machinery and equipment are sewing machines, zig-zag machines, leather trimming machines, leather skiving machines and rivet tacking machines that costed no more than HK\$44,000 each based on our purchase cost. Instead, we require skillful craftsmanship and familiarity in the handling of the principal raw material. Our Directors consider that we rely more on our production workforce than our machinery and equipment in our production process, as the skills and craftsmanship of our experienced workers are essential to the manufacturing of leather apparel products.

BUSINESS

In order to enhance and upgrade our manufacturing facilities, we intend to purchase new production equipment and machinery, mainly including purchase of automatic flat press machine and sewing machines with special functions. Please refer to the paragraph headed “Future plans and use of proceeds — Implementation plans” in this prospectus for further details.

During the Track Record Period and up to the Latest Practicable Date, we have maintained sufficient production capacity to handle our customers’ orders. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material delays in product deliveries.

The table below sets out our estimated annual production capacity and approximate utilisation rates of our production facilities during the Track Record Period.

	Year ended 30 June		Three months ended
	2013	2014	30 September 2014
Estimated annual production capacity (in terms of pieces of leather garments) (<i>Note 1</i>)	103,000	103,000	25,750
Actual output volume (pieces of leather garments manufactured)	40,788	57,179	16,114
Approximate utilisation rate (<i>Note 2</i>)	40%	56%	63%

Notes:

1. Our estimated annual production capacity is computed on the basis of the average of the two production months in which we recorded the highest production volume during the Track Record Period (i.e., June 2013 and July 2013) multiplied by the total working months for the year (i.e., approximately 11.5 months), assuming the same production volume would be achieved in every month during the relevant year of the Track Record Period.

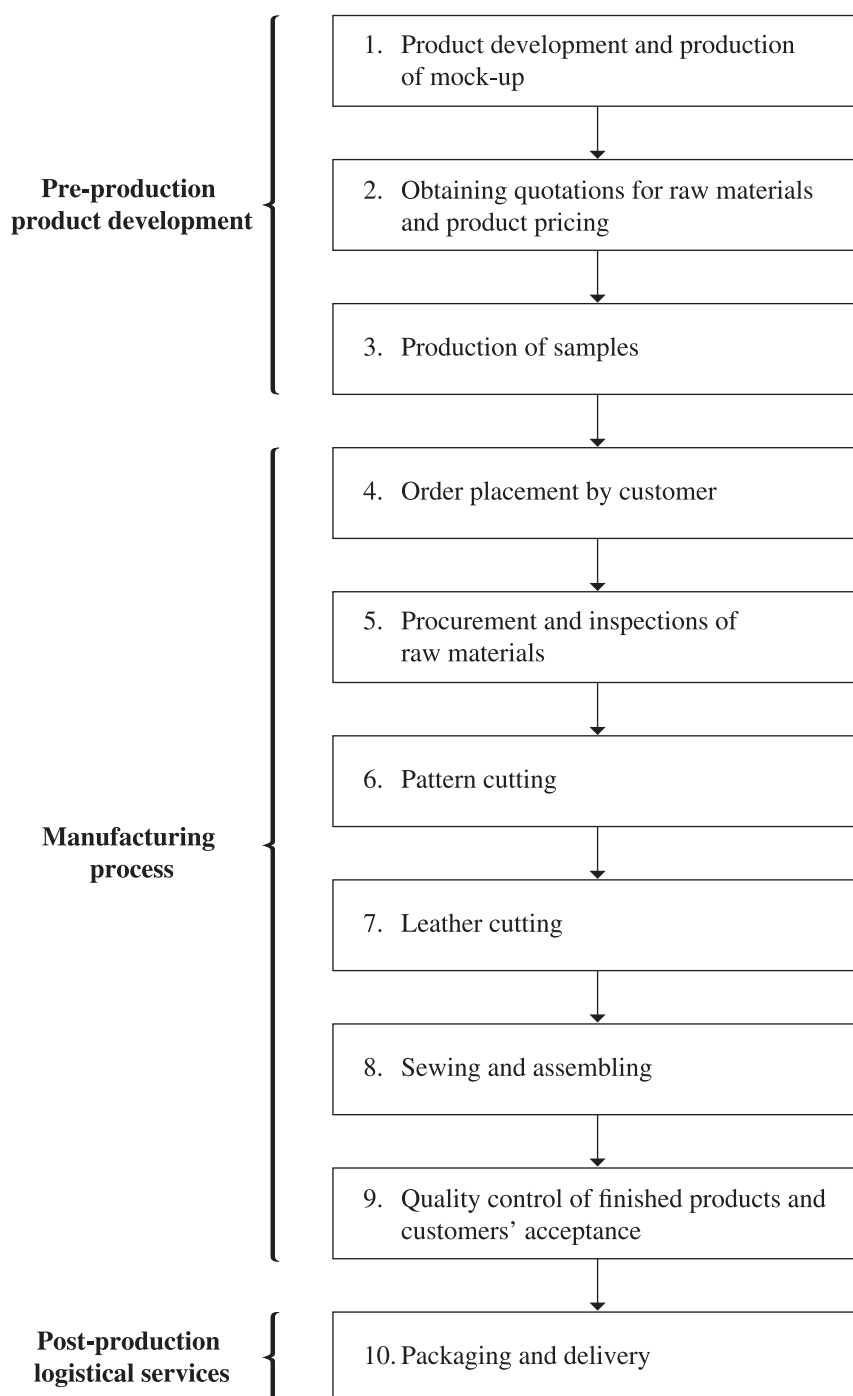
However, unlike manufacturing facilities that have standard production requirements and production times for particular products, our Directors consider that our estimated annual production capacity cannot be estimated with reasonable accuracy, due to varying designs and production complexity involved. In addition, we may receive orders for the production of complex products with lower production volumes, as well as less complex products with higher production volumes. As a result, our estimated annual production capacity and approximate utilisation rate may not be an accurate indication of the use of our production capacity or meaningful in estimating our profitability.

2. The approximate utilisation rates are calculated by dividing the actual annual output volume by the estimated annual production capacity.

The utilisation rate of the Foshan Factory increased from approximately 40% for the year ended 30 June 2013 to approximately 56% for the year ended 30 June 2014 and further to 63% for the three months ended 30 September 2014, which was generally in line with our Group’s growth in business during the period.

PRODUCTION PROCESS

Our production process involves various stages including pre-production product development, manufacturing process and post-production services. The flow chart below summarises the key stages of a typical production process.



Step 1 — Product development and production of mock-up

At the early stage of product development, we utilise our knowledge and expertise in leather materials to help our customers in choosing the suitable types of leather that can achieve the desired effect and quality. We will provide samples of leather and recommendations to our customers on raw material selection. We will also produce mock-up products which are parts of a garment product for demonstration of the product design or features and give suggestions to assist our customers in finetuning or adjusting their original designs so as to improve the efficiency of the production process.

Step 2 — Obtaining quotations for raw materials and product pricing

We obtain quotations of the raw materials from our suppliers and provide a quotation on the product production to our customers on a cost-plus basis. Our pricing depends on a range of factors, including the costs of the raw materials and the complexity of the product development and manufacturing process.

Step 3 — Production of samples

Customers will provide their initial designs and technical specifications to us for producing the sample products. We will then produce sample products to our customers for their inspections to ensure our products accord with the product designs and our customers' specifications. The samples will be modified and re-submitted to our customers upon their requests until they are satisfied with every detail of the samples.

Step 4 — Order placement by customer

We will discuss the details of the purchase orders with our customers, including the price, quantity, product specifications, other specific requirements and delivery date. After confirming all details of the purchase orders, our customers will place a purchase order with us.

Step 5 — Procurement and inspections of raw materials

As we primarily operate on a made-to-order basis, we will place purchase orders with our suppliers to purchase the raw materials only after our customers' orders are confirmed. In general, it takes about 2 months to receive the raw materials ordered.

Every piece of leather as the primary raw material will be subject to quality control inspection upon receipt to ensure its quality is up to standard. Our quality control team will examine if there are any defects such as colour variations, stains, marks and damage. We will also deliver sample leather to our customers for their approval.

As different pieces of leather have their own natural markings and grains and different degrees of tanning and dyeing, those of the same colour and grains are matched and used to produce the same piece of garment to ensure consistency of colour and grains in the finished products.

Step 6 — Pattern cutting

The shape of each component of the leather garment is outlined meticulously to ensure optimal use of the valuable leather, thereby increasing our cost efficiency.

Step 7 — Leather cutting

The leather will be cut according to the product specifications. The quality of the cutting is crucial for producing leather garments which meet our customers' specifications and requirements. It is a manual process placing a high demand on time and craftsmanship as the cutting must perfectly match the design patterns. Accurate cutting is essential for the garment to be assembled correctly and to fit well. Although modern techniques make mechanical cut of multiple layers of leather possible, we manually cut one layer at a time in order to ensure quality of our products.

This process is also the key to cost control as leather constitutes a substantial amount of our production costs. Our experienced craftsmen strive to optimise the use of each piece of leather to minimise the waste of small pieces left over after cutting.

Wool and fabrics are the raw materials commonly used to be blended with leather.

All parts for a finished product are subject to quality control and accepted items are assigned with a unique tag.

Step 8 — Sewing and assembling

We will provide a production technical package for manufacturing purpose to the manufacturing staff providing every detail with respect to the sewing and assembling of the product. Different parts are then sewed into one piece of garment. Depending on the product design, accessories and trims like buttons and zippers are sewed onto the garments and pockets and buttonholes will also be made.

Step 9 — Quality control of finished products and customers' acceptance

We adopt total quality control on our finished products. Thus, upon completion of the production process, the finished garments are inspected by our experienced quality control staff to ensure they match our customers' designs and specifications. Most of our customers will conduct physical inspection and testing of all the finished products before packaging and delivery. If defects are found in the finished products, the finished products will be reprocessed.

Step 10 — Packaging and delivery

All finished products will be packed carefully in accordance with our customers' specifications and requirements.

Products produced at the Foshan Factory are usually delivered to Hong Kong before they are shipped or transferred to the designated locations of our customers.

Production time

The production time, meaning from the placement of orders by our customers (step 4) to the completion of final quality inspections (step 9), of different orders varies for different products but will generally take about three months, which will cover the time of approximately two months for order of raw materials and the time of approximately one month for the actual manufacturing process. The actual production time depends on a variety of factors, including the availability and delivery time of the raw materials, the complexity of the product designs and manufacturing process and size of the orders.

Quality control of production process

We recognise the importance of quality control of our products and our quality control team is involved in the major stages of the production process. For details of our quality control measures, please refer to the paragraph headed “Quality control” below.

Subcontracting arrangements

The Foshan Factory focuses on the core manufacturing procedures such as leather cutting and sewing while some minor auxiliary procedures in respect of some of our products are outsourced to subcontractors as we do not possess the relevant facilities to complete those procedures. The procedures that are subcontracted are laser cutting and hole-punching. Such subcontracting work accounted for a very insignificant portion of our cost of sales. For each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014, the subcontracting fees were insignificant, which amounted to approximately HK\$24,000, HK\$63,000 and nil.

We select our subcontractors having regard to a number of factors, including the quality of their work, their production capacities, their track records, the processing fee and their abilities to meet the production deadlines. Based on these criteria, we have been working with some subcontractors with years of business relationship ranging from 1 year to 4 years. For each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014, we engaged 1, 8 and 0 subcontractors respectively. The subcontractors engaged by us are typically factories located in Guangzhou, Foshan, Dongguan and Shenzhen. All of our subcontractors are Independent Third Parties and none of our Directors, their associates, or any Shareholders who owned more than 5% of the share capital of the Company as at the Latest Practicable Date had any interest in any of the subcontractors of our Group during the Track Record Period.

We do not enter into any written agreements with our subcontractors as the subcontracting work involves some minor auxiliary procedures of the production process of some of our products and the subcontracting fees constitute a very insignificant portion of our cost of sales. A typical subcontracting transaction includes the following arrangement: processing work required, the quantity and the price per unit of the products, and the payment terms, which will usually be paid upon delivery or by month-end settlement. As we only engage the subcontractors as and when our customers’ orders require such auxiliary procedures, the subcontracting work is done only on a case by case basis. The subcontracting fees were typically determined based on the complexity of the

BUSINESS

work involved, the quotation from our subcontractors and arm's length negotiation between us and the subcontractors. The processed work is subject to our checking before acceptance so as to ensure that the work is in compliance with our requirements. All of the leather materials involved in subcontracted production processes are directly sourced by our Group. We generally have discretion in outsourcing some auxiliary production procedures to subcontractors and do not need to obtain our customers' approvals.

RAW MATERIALS

Leather is the primary raw materials of our garment products. Depending on our customers' specifications, some products are blended with wool and fabric materials. The leather raw materials used are usually animal hides and skins from lambs, sheep, goats, cows and pigs. Leather is dyed to the specific colour and processed in different ways according to our requirements before it is delivered by the suppliers to us. We maintain close contact with our suppliers and regularly attend leather trade fairs to obtain samples of leather raw materials supplied by different suppliers and to keep us abreast of new development in the leather industry and new leather types.

The total cost of raw materials for our goods sold for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014 amounted to about HK\$28,742,000, HK\$45,597,000 and HK\$10,517,000 respectively, which accounted for about 82.8%, 85.7% and 85.2% of our cost of sales for each of the years ended 30 June 2013 and 2014 and the three months ended 30 September 2014, respectively.

The following table sets out the amount of each type of raw materials purchased by us and their approximate percentages of our total purchase of raw materials during the Track Record Period:

	Year ended 30 June				Three months ended 30 September			
	2013		2014		2013		2014	
	Approximately HK\$'000	%	Approximately HK\$'000	%	Approximately HK\$'000	%	Approximately HK\$'000	%
Sheepskin	20,692	57.9	18,240	42.3	3,272	34.4	3,451	59.2
Lambskin	6,745	18.9	8,213	19.1	750	7.9	505	8.7
Goatskin	1,167	3.3	3,744	8.7	336	3.5	584	10.0
Lambswool								
shearling	1,229	3.4	4,416	10.2	968	10.2	—	—
Cowhide	1,130	3.2	2,113	4.9	1,064	11.2	153	2.6
Pigskin	503	1.4	129	0.3	57	0.6	231	4.0
Others (<i>Note</i>)	4,262	11.9	6,243	14.5	3,061	32.2	910	15.5
Total	35,728	100	43,098	100	9,508	100	5,834	100

Note: Others include major accessories such as zippers, fabrics, lining, buttons and labels.

To the best knowledge of our Directors, we are not aware of any illegality of the sources of raw materials used by us during the Track Record Period and up to the Latest Practicable Date.

Shortage or delay in supply of raw materials

We will usually ascertain that there is adequate supply of the relevant raw materials before providing quotation to our customers. As such, generally there is no shortage in the supply of raw materials. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material shortage of raw materials.

Fluctuations in cost of raw materials

For the two years ended 30 June 2014 and the three months ended 30 September 2014, the average costs of leather per square foot purchased by us, calculated with reference to the cost of different types of leather and the total number of square feet of leather being deployed by the Group during the Track Record Period, amounted to approximately US\$2.66, US\$3.43 and US\$2.57, respectively. We are able to pass on any increases in the cost of raw materials to our customers as we primarily operate on a made-to-order basis. We generally first obtain quotations of the raw materials from the suppliers which set out the price of the raw materials to be purchased. The price quoted will be valid for a certain period of time ranging from two months to three months (“lock-up period”) which may vary on an individual case basis. We adopt a cost-plus pricing model and thus the quotation we give to our customers would take account of the market price of the raw materials. If the lock-up period has passed and the price of leather has increased, we will in turn revise our quotation to our customers. The cost of leather has increased in recent years and this has led to the increases in our cost of sales. Nevertheless, our gross profit margin remained relatively stable during the Track Record Period, which amounted to approximately 35.3%, 34.0% and 44.5% for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014, respectively. This indicates that we are able to pass on any increases in the cost of raw materials to our customers and any such increases would not have material effect on our profitability. Hence, we can effectively manage our risk as to fluctuations in the raw material price.

BUSINESS

Sensitivity analysis

As we adopt cost-plus pricing model, we are able to pass on any increases in the cost of raw materials to our customers and any such increases would not have material effect on our profitability. Solely for illustration purpose, the following sensitivity analysis illustrates the impact of hypothetical fluctuations in our raw materials costs on our operating profit and net profits/(loss) after tax during the Track Record Period and the estimate period for the six months ended 31 December 2014, assuming that the cost of the raw materials increase by 10%, 30%, 50%, 100% and 130% (with reference to the maximum fluctuation in raw material prices in each year from 2009 to the first half of 2014 as set out in the Industry Report) and the pricing of our products did not reflect such change.

	Year ended 30 June 2013	Year ended 30 June 2014	Three months ended 30 September 2014	Six months ended 31 December 2014 (Estimate)
	approximately HK\$'000	approximately HK\$'000	approximately HK\$'000	approximately HK\$'000
Purchases of raw materials	35,728	43,098	5,834	Not applicable
Cost of raw materials sold	28,742	45,597	10,517	20,176
Operating profit	8,739	15,692	2,546	11,907
10% increase in raw material costs	5,865	11,132	1,494	9,889
30% increase in raw material costs (Note)	116	2,013	(609)	5,854
50% increase in raw material costs	(5,632)	(7,107)	(2,713)	1,819
100% increase in raw material costs	(20,003)	(29,905)	(7,971)	(8,269)
130% increase in raw material costs	(28,626)	(43,584)	(11,126)	(14,322)
Net profit/(loss) after tax	7,128	12,896	1,322	not more than (5,000)
10% increase in raw material costs	4,728	9,089	444	(6,685)
30% increase in raw material costs (Note)	(72)	1,474	(1,313)	(10,054)
50% increase in raw material costs	(4,872)	(6,141)	(3,069)	(13,423)
100% increase in raw material costs	(16,872)	(25,177)	(7,460)	(21,847)
130% increase in raw material costs	(24,071)	(36,600)	(10,094)	(26,901)

Note: We experienced no more than 30% increase in average cost of leather per square foot during the Track Record Period.

Prospective investors should note that the above analysis on the historical and estimate financials is hypothetical in nature, based on assumptions (including the departure from our cost-plus pricing model) and for reference only, and should not be viewed as actual effect. Such information by no means reflects our historical experience, financial results and normal course of conducting business. Prospective investors should not place undue reliance on such information, and the sensitivity analysis above only has one variable factor and assumes holding all other financial factors constant.

SUPPLIERS

As leather is the most important component of our garment products, we place great emphasis on the quality of leather. We maintain an extensive list of leather suppliers located in different parts of the world including Pakistan, China, Turkey, France, India and Italy, which enable us to source various sorts of leather and produce leather garments which conform to different needs of our customers. In most cases, our headquarters in Hong Kong will place purchase orders for purchase of leather raw materials. Our Directors believe that our ability in offering different types of leather sourced from our extensive list of suppliers is a critical factor for our customers in selecting and purchasing our products.

Other materials like textiles and fabrics may be blended with our leather garments. These materials are usually sourced in Hong Kong.

We have not entered into any long term supply contracts with our suppliers, as we primarily adopt a made-to-order system and the leather garment trend changes rapidly. We generally have discretion in sourcing raw materials from suppliers selected by us, while some of our customers may recommend their preferred suppliers to us for our consideration. However, we are not obliged to follow their recommendation. Usually for each type of raw materials used for a purchase order, we only source from one leather supplier to ensure quality and colour consistency in the raw materials used to produce the leather garments for that purchase order. We select our suppliers based on criteria like quality, pricing, availability of products and reliability of suppliers. We have maintained close relationship with our suppliers and up to the Latest Practicable Date, we have not experienced any material problems in sourcing raw materials we needed.

BUSINESS

Locations of suppliers

Our main suppliers of leather materials are mainly tanneries located in Pakistan, China, France, Turkey, India and Italy, while our suppliers of accessories such as zippers, fabrics, lining, buttons and labels are mainly from China and Hong Kong. Set out below is a breakdown of our purchases of leather raw materials and accessories by suppliers' locations during the Track Record Period.

	Year ended 30 June				Three months ended 30 September			
	2013		2014		2013		2014	
	Approximately HK\$'000	%	Approximately HK\$'000	%	Approximately HK\$'000	%	Approximately HK\$'000	%
Pakistan	19,215	54	15,593	36	2,124	22	2,595	44
China	1,813	5	6,832	16	2,689	28	862	15
Turkey	1,335	4	5,588	13	1,672	18	153	3
France	3,648	10	3,948	9	625	7	226	4
Hong Kong	2,934	8	3,509	8	476	5	567	10
India	825	2	3,506	8	987	10	1,181	20
Italy	3,925	11	2,205	5	371	4	241	4
Others (<i>Note</i>)	2,033	6	1,917	5	563	6	9	0
Total	35,728	100	43,098	100	9,508	100	5,834	100

Note: Others include South Korea, United States of America, Japan and Taiwan.

Different suppliers supply different types of leather with different specifications. Thus, depending on our customers' specifications, raw materials are sourced from different suppliers located in different countries.

Major suppliers

Our purchases from our five largest suppliers of leather amounted to approximately HK\$20,198,000, HK\$18,938,000 and HK\$3,845,000 for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014 respectively, which accounted for about 56.6%, 43.9% and 65.9% of our total purchase of raw materials for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014, respectively. Our purchases from our largest supplier of leather amounted to approximately HK\$7,905,000, HK\$5,777,000 and HK\$1,895,000 for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014 respectively, which attributed to about 22.1%, 13.4% and 32.5% of our total purchase of raw materials for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014 respectively.

BUSINESS

The table below is a breakdown of our purchases of raw materials from our top five suppliers during the Track Record Period:

For the three months ended 30 September 2014:

<u>Suppliers</u>	<u>Amount of purchases from supplier</u>	
	<u>Approximately HK\$'000</u>	<u>% (to our Group's total purchase of raw materials)</u>
Largest: Supplier A	1,895	32.5
2nd largest: Supplier H	1,087	18.6
3rd largest: Supplier I	305	5.2
4th largest: Supplier J	280	4.8
5th largest: Supplier B	<u>278</u>	<u>4.8</u>
Total purchase from five largest suppliers	<u>3,845</u>	<u>65.9</u>
All other suppliers	<u>1,989</u>	<u>34.1</u>
Total	<u><u>5,834</u></u>	<u><u>100</u></u>

BUSINESS

For the year ended 30 June 2014:

<u>Suppliers</u>	<u>Amount of purchases from supplier</u>	
	<u>Approximately</u> <u>HK\$'000</u>	<u>%</u> <u>(to our</u> <u>Group's total</u> <u>purchase of</u> <u>raw materials)</u>
Largest: Supplier A	5,777	13.4
2nd largest: Supplier B	4,214	9.8
3rd largest: Supplier C	3,410	7.9
4th largest: Supplier D	3,112	7.2
5th largest: Supplier E	<u>2,425</u>	<u>5.6</u>
Total purchase from five largest suppliers	<u>18,938</u>	<u>43.9</u>
All other suppliers	<u>24,160</u>	<u>56.1</u>
Total	<u><u>43,098</u></u>	<u><u>100.0</u></u>

BUSINESS

For the year ended 30 June 2013:

<u>Suppliers</u>	<u>Amount of purchases from supplier</u>	
	<u>Approximately HK\$'000</u>	<u>% (to our Group's total purchase of raw materials)</u>
Largest: Supplier A	7,905	22.1
2nd largest: Supplier F	3,400	9.5
3rd largest: Supplier G	3,202	9.0
4th largest: Supplier C	3,098	8.7
5th largest: Supplier B	<u>2,593</u>	<u>7.3</u>
Total purchase from five largest suppliers	<u>20,198</u>	<u>56.6</u>
All other suppliers	<u>15,530</u>	<u>43.4</u>
Total	<u><u>35,728</u></u>	<u><u>100.0</u></u>

The following table sets out the information about the above suppliers:

<u>Suppliers</u>	<u>Location of the supplier</u>	<u>Major types of leather supplied to our Group</u>	<u>Usual payment methods</u>	<u>Years of Relationship with our Group</u>
Supplier A	Pakistan	Sheepskin and lambskins	Documents against payment No credit term is offered	8 years
Supplier B	Pakistan	Lambskin, goatskin and cowhides	Documents against payment No credit term is offered	10 years
Supplier C	France	Lambskins	Documents against payment No credit term is offered	8 years

BUSINESS

<u>Suppliers</u>	<u>Location of the supplier</u>	<u>Major types of leather supplied to our Group</u>	<u>Usual payment methods</u>	<u>Years of Relationship with our Group</u>
Supplier D	Turkey	Lambskin and calfskin	By telegraphic transfer No credit term is offered	2 years
Supplier E	Turkey	Cowskin and calfskin	By telegraphic transfer No credit term is offered	2 years
Supplier F	Pakistan	Sheepskin	Documents against payment No credit term is offered	3 years
Supplier G	Pakistan	Sheepskin, goatskin and cowhides	Documents against payment No credit term is offered	10 years
Supplier H	India	Sheepskin	Document against payment No credit term is offered	2 years
Supplier I	Pakistan	Sheepskin	Document against payment No credit term is offered	6 years
Supplier J	PRC	Lambskin	By telegraphic transfer No credit term is offered	2 years

None of our Directors, their associates, or any Shareholders who owned more than 5% of the share capital of the Company as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group during the Track Record Period.

Salient features of a typical purchase transaction

We have not entered into any long term contractual arrangements with our suppliers, which our Directors believe is in line with the normal practice in the leather garment industry. In a typical purchase transaction for leather, we will normally issue a purchase order to the supplier and the following salient terms are contained:

- Product description: the types of raw materials, including the colour, skin origin, skin size and skin thickness;
- Quantity of the order: the quantity of the leather in square feet;
- Unit price and total amount of the order;

BUSINESS

- Payment terms: Payments are usually settled through telegraphic transfers, or document against payment (D/P) at sight;
- Delivery terms: the date of delivery; and
- Testing standards and requirements: the requirements for testing of the leather include dimensional stability and appearance test, physical test (namely, tear strength and finish adhesion), colour fastness test.

INVENTORY

We primarily adopt a made-to-order strategy and make procurements of raw materials with our suppliers after our customers confirm their orders.

Leather raw materials will usually be purchased by our headquarters in Hong Kong before delivery to the Foshan Factory for production. After producing the products, the Foshan Factory will arrange for the finished products to be delivered to Hong Kong before shipping the products to the designated locations of our customers. We have two warehouses to store our inventory and finished products. One is situated in Hong Kong and the other is inside the Foshan Factory.

For each production order, we will usually purchase a small quantity of leather raw materials of approximately 5% on top of the required quantity to cater for wastage which may arise during the production process. Any excess quantity of leather which has not been used for the production will be kept for other usage. Nevertheless, we are able to maintain effective control of our inventory level and avoid excessive accumulation of raw materials.

We maintain a leather order progress report and an in-and-out log book to monitor the receipt of inventory from our suppliers and the usage of raw materials in the production process.

For the two years ended 30 June 2014 and the three months ended 30 September 2014, our Group's inventory turnover days were approximately 76.1 days, 65.1 days and 44.0 days, respectively. For a detailed inventory analysis, please refer to the paragraph headed "Financial Information — Key financial ratios — Inventory turnover days" in this prospectus.

QUALITY CONTROL

We place great emphasis on the quality of our products and believe our commitment to the high standard for quality control of our products is one of the key factors contributing to our success. We have implemented a comprehensive quality control system in all essential stages of the production process to ensure quality of our products and our customers' requirements are fully satisfied.

Our quality control team is led by Mr. Ng Lai Wing who has over 20 years of experience in garment production. Mr. Ng is the quality assurance and factory operation manager and is responsible for overseeing the operations of the factory by formulating, implementing, managing and evaluating various processes to enhance the production effectiveness and efficiency and quality

control. During the Track Record Period, our quality control team consists of 6, 6 and 6 staff for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014, respectively, and as at the Latest Practicable Date, 3 of them have more than 10 years of relevant working experience.

All leather purchased is subject to quality inspections by our quality control team. Some customers may request us to perform laboratory tests and produce sample leather for their inspection. These are to ensure that the raw materials of our products meet the prescribed quality standards and conform to our customers' requirements. If there is any substandard or defective leather, we will request the suppliers to provide us with the leather which meets our requirements for replacement. During the production process, we monitor the major stages of the production and the products are subject to quality control checking. Thus, upon completion of the production process, the finished garments are subject to our sample checking by our experienced quality control staff to ensure they match our customers' designs and specifications. If defects are found in the finished products, the finished products will be reprocessed. Most of our customers will check the finished products before packaging and delivery.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material product quality issue in relation to the leather we purchased from our suppliers and finished goods we sold to our customers.

PRODUCT RETURNS AND WARRANTY

Under our total quality control system, our finished products are subject to sample checking by our quality control staff to ensure the finished products comply with our customers' requirements. We do not have a formal product return or warranty policy. Nevertheless, as a responsible manufacturer and in order to maintain our goodwill and our business relationships with our customers, we would investigate every incident and satisfy our customers' requests to the best of our ability.

During the Track Record Period, we have not experienced any material case of product returns from our customers in relation to the quality of our products. We had two separate product returns which amounted to approximately US\$15,700 and US\$16,300 in September 2013 and June 2014 respectively, involving minor defects in our products reported by our two customers respectively. Despite both customers had inspected the finished products before delivery, in order to maintain good business relationships and to strengthen our customers' confidence in us, we refunded the entire purchase amounts of the products involved in both cases. We maintain good business relationships with them and the two customers continued to place orders with us after the incidents.

MARKET AND COMPETITION

According to the Industry Report, the leather garment industry is fragmented and there were over 5,000 manufacturers in the leather garment manufacturing industry in China with the top 10 manufacturers made up about 3.4% of total industry revenue in 2013. As such, we operate in a highly competitive environment.

BUSINESS

Our Directors are of the view that the business of leather garment manufacturing normally does not require substantial capital investments and advanced technology and, accordingly, has a relatively low entry barrier in terms of capital. However, our Directors believe that a successful company in the business will require production skills, experience and craftsmanship, building of strong relationships with quality suppliers and customers which our Group has possessed after more than 20 years of operating history.

In terms of market trend and prospect, according to the Industry Report, the total revenue of leather garment manufacturing industry in China is expected to increase with increasing local retail activity and consumer's confidence. To tap into the business potentials of the PRC market, we intend to further strengthen our marketing coverage in the PRC market by targeting specifically PRC mid-to-high end local fashion brands.

Our Directors believe that we have earned our reputation and compete favourably with our competitors as we can produce products which conform to our customers' stringent product design specifications and aesthetic requirements and we can also offer pre-production product development services and have high flexibility and strong reliability.

EMPLOYEES

As at 30 June 2013, 30 June 2014, 30 September 2014 and the Latest Practicable Date, we had a total of 119, 114, 114 and 122 permanent full-time employees, respectively.

Set out below is the number of employees of our Group by areas of responsibility and geographical locations as at 30 June 2013 and 2014, 30 September 2014 and as at the Latest Practicable Date:

	As at 30 June 2013		As at 30 June 2014		As at 30 September 2014		As at the Latest Practicable Date	
	HK	PRC	HK	PRC	HK	PRC	HK	PRC
Management	4	—	4	—	4	—	7	—
Accounting and administration	1	9	1	8	3	8	3	8
Product design and development	1	2	1	2	2	2	2	2
Procurement	1	3	1	3	1	3	1	3
Production	—	82	—	76	—	75	—	79
Quality control	1	5	1	5	1	5	1	5
Sales and marketing	2	5	2	7	2	5	2	6
Logistics	2	1	2	1	2	1	2	1
Total	<u>12</u>	<u>107</u>	<u>12</u>	<u>102</u>	<u>15</u>	<u>99</u>	<u>18</u>	<u>104</u>

BUSINESS

Our Directors believe that we maintain good working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material dispute with our employees or disruption to our operations due to labour dispute and we have not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by our Group's employees.

We provide various training to our employees to enhance their technical skills and knowledge relevant to the employees' responsibilities. We also provide our employees with quality control standards and work safety standards training to enhance their safety awareness.

We intend to use our best effort to recruit and retain appropriate and suitable personnel to serve our Group. We will assess our human resources periodically and will determine whether additional manpower is required to cope with our business development.

We have complied with the applicable labour laws and regulations in the PRC and Hong Kong, save for the matters as disclosed in paragraph headed "Legal proceedings and non-compliance" below. We make contributions to the social security scheme and the housing provident fund for our employees in the PRC. As advised by our PRC Legal Advisers, we received confirmation from the relevant authorities confirming that we have not been punished for any violation of the applicable labour laws in the PRC in all material respects during the Track Record Period.

For each of the years ended 30 June 2013 and 2014 and the three months ended 30 September 2014, our total staff costs were approximately HK\$11.6 million, HK\$13.6 million and HK\$3.3 million respectively.

ENVIRONMENTAL PROTECTION

Our operation in Foshan is subject to environmental obligations under the PRC environmental protection law. Please refer to the paragraph headed "Environmental protection" under the section headed "Regulations" for further details.

Our production process generally does not produce much industrial waste and accordingly incurs minimal cost of compliance with applicable environmental protection rules and regulations in the PRC.

As advised by our PRC Legal Advisers, we received confirmation from the relevant environmental authorities that Foshan Shengli has not been punished for any violation of the applicable environmental protection laws and regulations in all material respects during the Track Record Period.

SOCIAL RESPONSIBILITY COMPLIANCE REQUIREMENTS

We are required by some of our major customers to demonstrate a commitment to social responsibility and to observe some codes of conduct for the ethical and employment standards. Such codes of conduct generally include provisions against forced labour and child labour, providing a workplace free from harassment and abuse, fair and equal treatment to all workers, compliance with the applicable legal requirements on wages, employment benefits and hours of work, and work place health and safety. Failure to comply with such codes of conduct may result in a re-evaluation by our customers of their business relationship with us, including a possible termination of the business relationship. We have adopted guidelines and policies in relation to ethical and employment standards which generally incorporate the material terms of the corporate social responsibility standards and codes of conduct prescribed by our customers. These standards and codes of our customers usually give guidelines or prohibitions or restrictions on use of child labour and forced labour, wage, working hours and workplace health and safety. Such guidelines and policies are posted on conspicuous locations in our production premises. Management and supervisors of our Group members are aware of our guidelines and policies. They have also been requested to follow and implement them in the Group's business operations. Our executive Directors will regularly oversee and review our compliance with such guidelines and policies to ensure that we comply with the corporate social responsibility standards and codes of conduct prescribed by our customers. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we have been in compliance in all material respects with the social responsibility standards and codes of conduct prescribed by our customers and have not received any complaints from our customers in this respect.

In addition, we have also put in place internal control measures to ensure that the raw materials we purchased from our suppliers are from legitimate sources. Such measures include performing background checks on potential leather suppliers to determine whether such potential suppliers have any prosecution records in relation to supply of leather from illegitimate source, or any other adverse track record in such connection. These measures also include conducting periodic site visits to our leather suppliers to inspect and evaluate their leather sourcing and processing process and reviewing customs documents and certificates of origin for the raw materials provided to us from our suppliers to ensure the raw materials are from legitimate sources and that all relevant customs formalities are complied with by such suppliers.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Group inadvertently failed to comply with certain regulatory requirements under the laws of Hong Kong and the PRC. All such incidents fall in the category of systemic non-compliance. Details of them are summarised below:

1. Perline failed to comply with section 122 of the Predecessor Companies Ordinance and/or section 429 of the Companies Ordinance

Nature and extent of non-compliance events	Reason(s) for the non-compliance	Identity and position of senior management of our Group involved	Possible legal consequences and maximum penalty	Potential operational and financial impact on our Group (where applicable)	Remedial actions taken	Internal control measures taken to prevent recurrence and responsible person(s) for such measures
Non-compliance in relation to late presenting with shareholders of annual accounts at annual general meetings within the prescribed period (i.e. no more than 9 months from the closing date of a financial year) in respect of the financial years ended 30 June 2002 to 30 June 2013 (except for the financial year ended 30 June 2009)	The then auditors of Perline customarily completed audit of Perline's financial statements for the relevant financial year (with year-end of 30 June) in around April next year (i.e. 10 months from the closing date of a financial year), so that such audited financial statements may be sent to the Inland Revenue Department during that month. The directors of Perline were under the misconception that Perline was only required to hold an annual general meeting within 9 months after the financial year end (without presenting the audited financial statements for the relevant financial year), and the audited financial statements would be allowed to be tabled and received at an adjourned general meeting (which was customarily held in around April or May of the same year).	Our accounting staff was responsible for ensuring compliance of this aspect.	Perline and its respective directors and officers who fail to take all reasonable steps to comply with the relevant requirement are liable to maximum fines of HK\$300,000 and 12-month imprisonment (if the offence was committed wilfully) under section 122 of the Predecessor Companies Ordinance.	No potential operational and financial impact, as remedial actions disclosed below have been taken and in case of conviction, the likelihood of imposition of the maximum sentence on Perline and its respective directors and officers would be remote as the non-compliances were not committed wilfully.	With respect to the non-compliances within the past three years, an application was made by Perline (HCMF 2626/2014) to the High Court seeking relief under the Predecessor Companies Ordinance and/or section 429 of the Companies Ordinance. Hearing of the application was initially held on 4 December 2014 and was adjourned pending filing of further supporting affirmation by Perline. As at the Latest Practicable Date, such filing has been made and the hearing was scheduled to be restored on 3 February 2015.	We have assigned Mr. Chan Hing Yik (our company secretary) to monitor the annual filings and accounts requirements pursuant to the Companies Ordinance and will seek assistance from external legal advisers if necessary to ensure compliance with the statutory requirements.
				No provisions have been made because the non-compliances were not committed wilfully and the imposition of the maximum fine is unlikely.	Please refer to the section headed "Directors, senior management and staff" in this prospectus for his qualifications and experience.	
					In respect of the non-compliances which took place more than three years before, please see "note 1" below at the bottom of this table.	

Notes:

- Pursuant to section 351A of the Predecessor Companies Ordinance, notwithstanding section 26 of the Magistrates Ordinance (Chapter 227 of the Laws of Hong Kong), an information or complaint relating to the offence may be tried if it is laid or made, as the case may be, at any time within 3 years after the commission of the offence and within 12 months after the date on which evidence sufficient in the opinion of the Secretary for Justice to justify the proceedings comes to his knowledge. Section 900 of the Companies Ordinance has similar provisions as the said section 351A of the Predecessor Companies Ordinance. Accordingly, the non-compliance incidents committed by Perline which occurred before the date falling three years prior to the Latest Practicable Date are effectively time-barred and Perline would not be subject to any liability in connection with such non-compliance incidents.
- Prior to the date falling three years prior to the Latest Practicable Date, Perline had a few incidents of failure to file prescribed returns within the prescribed time under the Predecessor Companies Ordinance. For the reasons set out in note 1, such non-compliance incidents committed by Perline are effectively time-barred and Perline is unlikely to be subject to any liability in connection with such non-compliance incidents.

2. Non-compliance arising from late lodgment of textile notifications under TTRS (hence not being exempted from obtaining prior licenses) for import of textiles from the PRC into Hong Kong

Nature and extent of non-compliance incidents	Reason(s) for the non-compliance	Identity and position of senior management of our Group involved	Possible legal consequences and maximum penalty	Potential operational and financial impact on our Group (where applicable)	Remedial actions taken	Internal control measures taken to prevent recurrence and responsible person(s) for such measures
During the Track Record Period, Perline failed to timely lodge textile notifications under TTRS for import from the PRC into Hong Kong of (i) 97% polyester 3% spandex woven fabrics on 8 April 2013; and (ii) polyester woven fabrics on 20 September 2013 respectively.	According to the then requirements under the IAE Ordinance and its subsidiary legislation, no person shall import textiles from the PRC to Hong Kong without a valid import licence. However, under the then arrangements of TTRS, a registered textiles trader may rely on the exemption from the textiles licensing requirements by, among other conditions, covering imports of textiles with self-completed notifications setting out particulars of the consignments. A registered textiles trader should deliver its textiles notifications to HK-TID before import or export of textiles. For more details of the TTRS, please refer to the section headed "Regulations — Hong Kong — Import and Export Ordinance — Licensing regime for import and export of textiles," in this prospectus.	Our shipping clerk was delegated to observe the lodgment/licensing requirements in connection with textiles import and export.	If legal action had been taken by HK-TID, Perline would have been liable on conviction to a maximum fine of HK\$500,000 and to imprisonment for no more than 2 years under section 6C(2) of the IAE Ordinance, in addition to administrative actions that may be taken by HK-TID. Under section 37 of the IAE Ordinance, any such complaint shall be made or an information shall be laid in respect of an offence under the IAE Ordinance within 2 years from the time when the matter of such complaint or information respectively arose. As at the Latest Practicable Date, Perline has not been subject to any legal or administrative proceedings in respect of such non-compliance incidents.	In connection with such non-compliance incidents, HK-TID issued two warning letters respectively to Perline on a without prejudice basis. Our Directors believe, and our Hong Kong Legal Advisers concur, that as retrospective licences were given by HK-TID and warning letters were issued, it is unlikely for any legal or administrative action to be brought against Perline. Accordingly, no provisions have been made and there is no potential operational and financial impact on our Group. To the best information, knowledge and belief of our Directors, save as mentioned above, there was no other non-compliance in relation to the timely lodgment of textile notifications under TTRS within the Track Record Period.	For both non-compliance incidents, applications were made by Perline for import licences shortly after receiving the relevant invoices, packing lists and bills of lading from the PRC suppliers and within 7 days after the importations. Such textiles licences were granted retrospectively by HK-TID.	To prevent the occurrence of any non-compliance in the future, we have established guidelines for handling lodgment of textiles notifications and issued an internal memorandum to the relevant staff to raise awareness on the requirements of timely lodgment of textiles notifications. We have assigned Mr. Ramond Ching (an executive Director) to monitor our compliance with the requirements under the IAE Ordinance. Please refer to the section headed "Directors, senior management and staff" in this prospectus for his qualifications and experience.
Perline has since 1993 been registered as a textiles trader under the TTRS, hence was exempted from the textiles licensing requirements under the IAE Ordinance by complying with the said conditions of exemption under the TTRS.						The said textiles licensing requirements were relaxed with effect from 21 November 2014 pursuant to which Perline was no longer subject to such requirements, and therefore was no longer required to lodge textile notifications under TTRS, for its import of textiles from the PRC and export of textiles to the PRC and the US. For details, please refer to the section headed "Regulations — Hong Kong — Import and Export Ordinance - Licensing regime for import and export of textiles" in this prospectus.

Nature and extent of non-compliance incidents	Reason(s) for the non-compliance	Identity and position of senior management of our Group involved	Possible legal consequences and maximum penalty	Potential operational and financial impact on our Group (where applicable)	Remedial actions taken	Internal control measures taken to prevent recurrence and responsible person(s) for such measures
	Both non-compliance incidents involved purchases of textiles (for manufacture of our leather garments with textile components) by Perline from suppliers in the PRC, and the PRC suppliers failed to provide Perline with the relevant invoices, packing lists and bills of lading which were necessary for the lodgments of textiles notifications, on or before the importations. Accordingly, for both non-compliance incidents, our shipping clerk failed to lodge the relevant textiles notifications before importations. Thus, such imports of textiles were not exempted from the textiles licensing requirements and at the time of their imports, they were not covered by valid import licence (but were covered by retrospective import licences given by HK-TID).					

3. Non-compliance arising from late lodgment of import or export declarations for importations into or exportations from Hong Kong under the IAE Ordinance

Nature and extent of non-compliance	Reason(s) for the non-compliance	Identity and position of senior management of our Group involved	Possible legal consequences and maximum penalty	Potential operational and financial impact on our Group (where applicable)	Remedial actions taken	Internal control measures taken to prevent recurrence and responsible person(s) for such measures
During the two years ended 30 June 2013 and 2014, about 1,000 import or export declarations ("trade declarations") were lodged by Perline, of which about 495 declarations were lodged beyond the prescribed period under Regulation 4 and 5 of the IAE Registration Regulations (i.e. 14 days after the importation or exportation), while the remaining declarations were made within the prescribed period.	When importing or exporting leather raw materials or garments, the declarations made by cargo carriers with HK Customs are generally simple, but declarations lodged by Perline with HK Customs have to be exact, complete and accurate (in terms of both description and quantity). There were times that Perline may have to seek re-confirmations and/or clarifications from suppliers (or, where appropriate, the customs-clearance agents appointed by suppliers or Foshan Shengli).	Our shipping clerk, who was then under the supervision of our merchandising manager, was delegated to observe the lodgment timing requirements.	Under Regulation 4 and 5 of the IAE Registration Regulations, if the person who is required to lodge a declaration under such regulations fails or neglects, without reasonable excuse, to do so within the prescribed 14-day period (or, where applicable, such person has a reasonable excuse but fails or neglects to lodge such declaration in the prescribed manner as soon as is practicable after the cessation of such excuse), such person shall be guilty of an offence and shall be liable on summary conviction to a fine of HK\$1,000 and, commencing on the day following the date of conviction, to a fine of HK\$100 in respect of every day during which his failure or neglect to lodge the declaration in that manner continues.	We settled all relevant administrative penalties payable under Regulation 7 of the IAE Registration Regulations within 7 days after lodgment (though late) of trade declarations. (See note at the bottom of this table.)	In October 2014, we started to implement internal control improvement measures to ensure all trade declarations be lodged within the prescribed 14-day period. Since 1 October 2014, all trade declarations lodged by us were lodged within the prescribed 14-day period.	We have assigned Mr. Ramond Ching (an executive Director) to oversee our compliance with the requirements in relation to lodgment of trade declarations under the IAE Ordinance.
Among such 495 declarations, (i) about 477 declarations were filed within 1 month and 14 days after the importation or exportation;	As the above clarification and/or re-confirmation process with third parties may take longer than 14 days, Perline sometimes filed the declarations concerned beyond the prescribed 14-day period.			The total amount of such administration penalties that our Group paid for each of the financial years ended 30 June 2013 and 2014 and the three months ended 30 September 2014 were about HK\$7,400, HK\$12,100 and HK\$3,900 respectively, which did not and will not give rise to any material impact on the financial position of our Group. Such administrative penalties are a civil debt payable to the Hong Kong Government, and not a fine.	Please refer to the section headed "Directors, senior management and staff" in this prospectus for his qualifications and experience.	Please refer to the section headed "Business — Legal proceedings and non-compliance — Further details about non-compliance with the requirement on timely lodgment of import or export declarations" of this prospectus for further details of the internal control measures taken to prevent recurrence of this non-compliance.
(ii) about 16 declarations were filed after 1 month and 14 days but within 2 months and 14 days after the importation or exportation;	Our Directors are of the view (which our Hong Kong Legal Advisers concur) that there are no provisions under the IAE Ordinance or its subsidiary legislation which provide for any mechanism for application for extension of the prescribed 14-day period.					
(iii) about 2 declarations were filed after 2 months and 14 days after the importation or exportation.						

Internal control measures taken to prevent recurrence and responsible person(s) for such measures		Potential operational and financial impact on our Group (where applicable)	Possible legal consequences and maximum penalty	Identity and position of senior management of our Group involved	Reason(s) for the non-compliance	Nature and extent of non-compliance
		Further, our Controlling Shareholders have agreed to indemnify our Group for all fines and/or penalties or any related costs, expenses and losses in connection with such non-compliance.	Under Section 37 of the IAE Ordinance, any such complaint shall be made or an information shall be laid in respect of such offence within 2 years from the time when the matter of such complaint or information respectively arose.		The main reason for late lodgment was to ensure requisite details were obtained from other parties for completing an accurate and complete trade declaration. The Directors are of the view that so long as the time and steps taken were reasonable, Perline had a reasonable excuse to make lodgment beyond the prescribed 14-day period. Perline also took steps to ensure lodgment of a trade declaration as soon as practicable after obtaining all such relevant details.	During the three months ended 30 September 2014, about 200 trade declarations were lodged by Perline, of which about 93 declarations were lodged beyond the prescribed period, while the remaining declarations were lodged within the prescribed period. Among such 93 declarations,
		Since the above administrative penalties were paid and also because Perline had reasonable excuse to lodge trade declarations beyond the prescribed 14-day period, our Directors consider, and our Hong Kong Legal Advisers concur that, it is unlikely for Perline to be fined under Regulation 4 or 5 of the IAE Registration Regulations. As such, our Directors believe that the non-compliance incidents have no material adverse operational and financial impact on our Group.			To the best knowledge of our Directors after having made all reasonable enquiries, lodgments of trade declarations beyond the prescribed 14-day period are not uncommon.	(i) about 84 declarations were filed after 1 month and 14 days after the importation or exportation;
					Please refer to the section headed "Business — Legal proceedings and non-compliance — Further details about non-compliance with the requirement on timely lodgment of import or export declarations" of this prospectus for further details of this non-compliance.	(ii) about 9 declarations were filed after 1 month and 14 days but within 2 months and 14 days after the importation or exportation.

Note: Under Regulation 7 of the IAE Registration Regulations, if a person fails to submit a declaration within the 14-day period as prescribed under Regulation 4 or 5 of the IAE Registration Regulations, such person shall be liable, in addition to any other penalty or charge, to pay an administrative penalty in respect of each such failure. Such administrative penalty for each failure ranges from HK\$20 to HK\$200 depending on the length of time of the late lodgment and the total value of the articles specified in the declarations which is accrued at time of lodgment of declaration. All such administrative penalties were paid within 7 days after any late declarations were lodged.

4. Non-compliance in relation to under-contribution of social insurance for certain of our PRC employees

Nature and extent of non-compliance	Reason(s) for the non-compliance	Identity and position of senior management of our Group involved	Possible legal consequences and maximum penalty	Potential operational and financial impact on our Group (where applicable)	Remedial actions taken	Internal control measures taken to prevent recurrence and responsible person(s) for such measures
We only made social insurance contributions for our PRC employees based on the minimum salary as required by the relevant PRC authorities in Foshan. We estimate the total outstanding amount of social insurance contribution during the Track Record Period would be about RMB754,000.	Certain of our PRC employees were reluctant to cooperate with Foshan Shengli for Foshan Shengli making contribution for social insurance for such employees.	Head of Human Resources of Foshan Shengli	Under the Interim Regulations Concerning the Levy of Social Insurance Fees (社會保險費徵收暫行條例), with regard to the failure to make full contributions to social insurance for its employees before 1 July 2011, the relevant PRC authorities may order the enterprise to rectify the non-compliance within a prescribed time limit. If the enterprise still fails to make the payment within the time limit, in addition to the unpaid social insurance premiums, a surcharge for overdue payment equal to 0.2% per day of the overdue payment counting from the date when the amount becomes overdue will be imposed. If the enterprise refuses to pay the social insurance premiums and the surcharge within the time limit, the relevant PRC authorities may apply to People's Courts for mandatory enforcement of the collection.	As of the Latest Practicable Date, we were not subject to any surcharge or penalty in respect of such non-compliance incidents and we did not receive any notification from the relevant authorities alleging that we did not make adequate social insurance contributions for our PRC employees and demanding payment of the outstanding amount of social insurance contributions. Upon receipt of the request from the relevant authorities, if any, we intend to immediately pay in full the outstanding social insurance contributions and/or any surcharge imposed by the relevant authorities accordingly. We are advised by our PRC Legal Advisers that in the event that we pay in full the outstanding social insurance contributions and/or any such surcharge within the prescribed period upon request of the relevant PRC authorities, a fine from one to three times the amount of overdue payment would not be imposed upon us in connection with our non-compliance.	We have sought legal advice from our PRC Legal Adviser regarding the relevant legal requirements relating to social insurance. Our Directors consider, and our PRC Legal Advisers concur, since September 2014, we have contributed social insurance on the ratio and timeline prescribed by law for all eligible PRC employees.	We have assigned Ms. Idy Cheung (an executive Director), and Mr. Ramond Ching (an executive Director) to periodically review the contribution payments and report any discrepancies found to ensure that contributions are properly monitored and carried out in accordance with the requirements of the relevant regulations, and to report to the Corporate Governance Committee about the findings and results regularly. We will also seek legal advice on the relevant requirement in the future, as and when necessary, to ensure our continuous compliance with the relevant laws and regulations.
						Please refer to the section headed "Directors, senior management and staff" in this prospectus for their respective qualifications and experience.
				On such basis, in respect of outstanding social insurance contribution during the Track Record Period, we estimate that the related potential surcharge that could be imposed on Foshan Shengli for the Track Record Period would be approximately RMB189,000.		

Nature and extent of non-compliance	Reason(s) for the non-compliance	Identity and position of senior management of our Group involved	Possible legal consequences and maximum penalty	Potential operational and financial impact on our Group (where applicable)	Remedial actions taken	Internal control measures taken to prevent recurrence and responsible person(s) for such measures
			Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法), with regard to the failure to pay the full amount of social insurance premiums as scheduled after 1 July 2011, the relevant PRC authorities shall order the employer to make the payment or make up the difference within the stipulated period and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant PRC authorities shall impose a fine from one to three times the amount of overdue payment. According to the Regulation on Labour and Social Security Supervision(勞動保障監察條例), if the violation to labour and social security laws, regulations or rules is continuous or continuing, but it had not come to the attention of the relevant labour administrative departments after two years since the date of the violation's cessation, nor had it been reported or complained about, the labour administrative departments no longer investigate or impose punishments.	Further, Foshan Shengli has contributed social insurance on the basis prescribed by law for all our eligible PRC employees since September 2014. Appropriate provisions in the sum of about RMB476,000, RMB274,000 and RMB4,000 have been made in respect of such non-compliance events during the Track Record Period, for each of the two years ended 30 June 2013 and 2014 and three months ended 30 September 2014. Besides, our Controlling Shareholders have agreed to indemnify us for all amount and/or penalty or any costs, expenses and losses in connection with such amount and/or penalty, due to our non-compliance with laws and regulations related to social insurance. Based on the above, the Directors consider that the non-compliance has no material adverse operational and financial impact on our Group.		

5. Foshan Shengli was not in strict compliance with the requisite contribution requirements of housing provident fund for certain of our PRC employees

Nature and extent of non-compliance events	Reason(s) for the non-compliance	Identity and position of senior management of our Group involved	Possible legal consequences and maximum penalty	Potential operational and financial impact on our Group (where applicable)	Remedial actions taken	Internal control measures taken to prevent recurrence and responsible person(s) for such measures
We did not strictly comply with the requisite contribution requirements of housing provident fund. We estimate the total outstanding amount of housing provident fund contribution during the Track Record Period would be about RMB490,000.	Some of our PRC employees were reluctant to cooperate with Foshan Shengli for Foshan Shengli making contribution for housing provident fund for such employees.	Head of Human Resources of Foshan Shengli	Under the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例), where an employer fails to pay up housing provident fund within the prescribed time limit, the housing fund administration center may order it to make payment within a certain period of time; if the employer still fails to do so, the housing fund administration centre may apply to the court for enforcement of the unpaid amount. The housing fund administration center may also impose a penalty of not more than RMB50,000 for failure to comply with the necessary registration procedures within the time limit.	Foshan Shengli has contributed housing provident fund on the ratio prescribed by law for all our eligible PRC employees since September 2014. As of the Latest Practicable Date, we were not subject to any penalty in respect of such non-compliance incidents and we have not received any notifications having an effect of instructing us to make a supplemental payment of housing provident fund and imposing administrative penalties issued by the relevant housing fund administration centre. We are advised by our PRC Legal Advisers that in the event that we make the housing provident fund contributions within the prescribed period upon request of the relevant housing fund administration centre, it is unlikely that administrative penalties would be imposed upon us by the relevant housing fund administration centre in connection with our non-compliance.	We have sought legal advice from our PRC Legal Advisers regarding the relevant legal requirements relating to housing provident fund. Our Directors consider, and our PRC Legal Advisers concur, we have contributed housing provident fund on the ratio and timeline prescribed by law for all our eligible PRC employees of Foshan Shengli since September 2014.	We have assigned Ms. Idy Cheung (an executive Director), and Mr. Ramond Ching (an executive Director) to periodically review the contribution payments and report any discrepancies found to ensure that contributions are properly monitored and carried out in accordance with the requirements of the relevant regulations, and to report to the Corporate Governance Committee about the finding and results regularly. We will also seek legal advice on the relevant requirement in the future, as and when necessary, to ensure our continuous compliance with the relevant laws and regulations.
						Please refer to the section headed "Directors, senior management and staff" in this prospectus for their qualifications and experience.

Nature and extent of non-compliance events	Reason(s) for the non-compliance	Identity and position of senior management of our Group involved	Possible legal consequences and maximum penalty	Potential operational and financial impact on our Group (where applicable)	Remedial actions taken	Internal control measures taken to prevent recurrence and responsible person(s) for such measures
				Appropriate provisions in the amount of about RMB23,000, RMB240,000 and RMB27,000 have been made in respect of the non-compliance events for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014.		
				Besides, our Controlling Shareholders have agreed to indemnify us for all amount and/or penalty or any costs, expenses and losses in connection with such amount and/or penalty, due to our non-compliance with laws and regulations related to housing provident fund.		
				Based on the above, our Directors consider that the non-compliance has no material adverse operational and financial impact on our Group.		

Further details about non-compliance with the requirement on timely lodgment of import or export declarations

The non-compliance with the requirement on timely lodgment of trade declarations arose mainly because certain details necessary for completing a trade declaration are not within the immediate knowledge of our Group (as an importer or exporter), but are required to be obtained from third party service providers, our suppliers or our customers. At the material time, our focus was to ensure the accuracy and completeness of trade declarations, rather than timely lodgment of the declarations without first obtaining accurate and complete information. During the Track Record Period and before, we encountered practical difficulties to file all trade declarations within the prescribed 14-day period which include (among other reasons):

- (i) the number of parties from which we obtained relevant information was large (including suppliers, customers and their respective agents and transport companies);
- (ii) some of such parties did not supply the relevant information on a timely basis or the details initially supplied by them to us were unclear and/or inaccurate, and further time was spent to obtain clarifications or more precise information from such parties;
- (iii) as our strategically focused customers include international and regional fashion brands, and the leather apparel manufactured by us only forms a minor portion of their product portfolio, we then had concerns over the possible negative impact on the business relationship of our Group with our major customers and/or suppliers if a proactive approach was to be taken by us in contacting them directly with a view to expediting the obtaining of requisite information for completing the trade declarations in the past; and
- (iv) for the purpose of computing the prescribed 14-day period, Sundays and intervening public holidays are generally included, hence we generally have less than 10 working days to obtain clarification information from other parties.

Our Directors believe (and our Hong Kong Legal Advisers concur) that the practical difficulties as set out above constitute reasonable excuses under Regulation 4 or 5 of the IAE Registration Regulations.

Having regard to the reasons set out below, our Directors consider that the business operation and financial position of the Group have not been, and will not be, materially negatively impacted by the non-compliance with the requirement on timely lodgment of trade declarations:

- (i) as advised by our Hong Kong Legal Advisers, the relevant materials imported or exported by our Group are not subject to any pre-approval requirements of Hong Kong. Lodgment of trade declarations are only post-event notifications which are required to be lodged by our Group after the relevant articles have been imported into or exported out of Hong Kong, and are not required as a prior approval or pre-requisite for import or export of such articles;

BUSINESS

- (ii) all penalties payable under Regulation 7 of the IAE Registration Regulations are administrative in nature and have been settled by us;
- (iii) the non-compliance was not resulted from a systematic failure of our internal controls;
- (iv) the total amount of the administrative penalties paid by us for each of the financial years ended 30 June 2013 and 2014 and the three months ended 30 September 2014 were about HK\$7,400, HK\$12,100 and HK\$3,900 respectively, which did not and will not give rise to any material impact on our financial position;
- (v) trade declarations are not pre-approval requirements for our import into or export from Hong Kong of relevant articles, hence late lodgment of trade declaration is not related to the integral part of our business operation and there is no material impact on us as a result thereof;
- (vi) the non-compliance does not have any material impact on our operating facilities, whether in Hong Kong or the PRC; and
- (vii) we have never been prosecuted by HK Customs or any other regulatory authorities in Hong Kong in connection with late lodgment or accuracy of trade declarations under Regulation 4 or 5 of the IAE Registration Regulations or otherwise.

In preparation for Listing, we, following the advice of the Internal Control Adviser, have since September 2014 implemented a number of defined and specific remedial measures, by stage, to strengthen our internal control system targeting the prevention of the non-compliance. All such measures have been implemented by 1 October 2014. These measures include the following:

- (i) establishing guidelines for handling lodgment of trade declarations and issuing internal memorandum to relevant staff to raise awareness on the requirement of timely lodgment of trade declarations;
- (ii) redeploying an additional staff to the shipping department to improve its staffing, who helps chasing for supply of information on a daily basis as well as to conduct crosschecking;
- (iii) sending reminders and requests to our customers and suppliers for timely supply of accurate details of shipments, so that our Group may make timely lodgment of trade declarations;
- (iv) improving our systems of control list, possible late lodgment reminders and alerts in connection with trade declarations;
- (v) designating Mr. Ramond Ching with duty and power to conduct weekly checks and reviews on whether our lodgment of trade declarations are made within the prescribed time under the IAE Ordinance, who will report to the Corporate Governance Committee about his finding on a monthly basis. Mr. Ramond Ching has over 27 years' experience

in the garment and leather industry and has established longstanding relationship with our suppliers. Our Directors consider that by appointing Mr. Ramond Ching to liaise with our suppliers, our Group will get faster response on reconfirmations and/or clarifications from our suppliers for the purpose of timely completing and lodging trade declarations; and

- (vi) adopting policy to seek legal advice on the relevant compliance matters in the future, as and when necessary, to ensure our continuous compliance with the relevant laws and regulations.

Our executive Directors have undertaken to attend, after Listing, at least (i) 18 hours of training for securities-related, corporate governance and companies law-related compliance and (ii) 4 hours of training on business operational matters (e.g. lodgment of trade declarations and the operation of related lodgment system) on an annual basis. We have also adopted the policy that for the first two years after Listing, we will report the compliance with the requirement of timely lodgment of trade declarations under the IAE Registration Regulations in our annual and interim reports.

Our Directors believe, and our Internal Control Adviser concurs, that such strengthened internal control measures are effective and adequate to avoid the recurrence of the non-compliance in the future. The Group has complied with the relevant provisions under the IAE Ordinance and its subsidiary legislation in respect of all shipments made from 1 October 2014 and up to the Latest Practicable Date. A total of 133 trade declarations were lodged in respect of shipments made from 1 October 2014 and up to the Latest Practicable Date, and all of them were lodged within the prescribed 14-day period.

All the Individual Owners and BVI Inv Vehicles have entered into a deed of indemnity in favour of our Group whereby they agreed to indemnify our Group, subject to the terms and conditions of the deed of indemnity, in respect of any liabilities which may arise as a result of any non-compliance referred to in the paragraph headed “Legal proceedings and non-compliance” in this section on or before the date on which the Placing becomes unconditional. Further details of the deed of indemnity are set out in the paragraph headed “5. Estate duty, tax and other indemnities” in Appendix V to this prospectus. Our Directors consider that the non-compliance events disclosed above will not have any material adverse impact on the operation or financial position or business of our Group.

Internal control measures to prevent recurrence of non-compliance incidents

In addition to the internal control measures taken to prevent recurrence of the non-compliance incidents mentioned in the above tables, in order to continuously improve our corporate governance and to prevent recurrence of the non-compliance incidents, we will adopt and/or have adopted the following measures:

- (a) we will appoint legal advisers as to the laws of Hong Kong and the PRC, respectively, to advise our Group on the laws and regulations of Hong Kong and the PRC;
- (b) we have appointed Halcyon Capital Limited as our compliance adviser upon Listing to advise our Group on compliance matters in accordance with the GEM Listing Rules;
- (c) our Board has established or will establish the Corporate Governance Committee on 28 January 2015 which consists of Ms. Ng Lai Hung, our non-executive Director and our three INEDs. For the functions of the Corporate Governance Committee, please refer to the paragraph headed “Directors, senior management and staff — Board committees — Corporate Governance Committee” of this prospectus;
- (d) our senior management personnel have been briefed by the executive Directors on the importance of regulatory matters and will continue to monitor our compliance with relevant regulations and our senior management personnel will work closely with our staff to implement actions required to ensure our compliance with relevant regulations;
- (e) we will continue to arrange various training programmes to be provided by the Hong Kong legal adviser and the PRC legal adviser engaged by us and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the relevant laws and regulations; and
- (f) our Group has improved the existing internal control framework by adopting a set of internal control manual and policies in October 2014, including the corporate governance manual, which covers corporate governance, risk management, operations, legal matters, finance and audit.

In September 2014, we have engaged HLB Hodgson Impey Cheng Risk Advisory Services Limited, an independent internal control adviser (the “**Internal Control Adviser**”) to review the internal control system of our Group. The Internal Control Adviser has reviewed the internal control system of our Group according to the agreed scope which covers (i) overall management control which includes code of conduct, conflict of interests, risk assessment, legal and regulatory compliance and report of control deficiency; (ii) financial budgeting and forecasts; (iii) treasury functions; (iv) financial reporting and disclosure control; (v) management accounting information system; (vi) human resources and payroll cycle; (vii) sales, receivables and collection cycle; (viii) purchases, payables, expenses and payments; (ix) inventory cycle; and (x) production and costing. The Internal Control Adviser’s review focuses on the status of implementation of the recommended remedial actions in areas where deficiencies and weaknesses were identified, the effectiveness of

our procedures, systems and controls, and the standards and effectiveness of our corporate governance practice to ensure our compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations.

As at the Latest Practicable Date, we implemented the recommendations from the Internal Control Adviser. The Internal Control Adviser performed follow-up review in October 2014 on our internal control measures implemented for verifying the implementation status of the system improvement recommendations and is satisfied with the adequacy and effectiveness of such measures. The Internal Control Adviser also reviewed the implementation status of the internal control measures taken to prevent recurrence of the non-compliance incidents. Based on the findings, recommendations and follow-up results performed by the Internal Control Adviser, it is considered that such remedial actions have been implemented and are adequate and effective.

Views of our Directors and the Sponsor regarding the corporate governance

As set out in the paragraph headed “Business — Legal proceedings and non-compliance — Internal control measures to prevent recurrence of non-compliance incidents” in this section of prospectus, our Group has adopted and implemented the corporate governance and internal control measures to enhance the internal control systems and to ensure compliance of various applicable rules and regulations to prevent the occurrence of any non-compliance in the future. Our Directors believe that the corporate governance and internal control measures are adequate and effective which will ensure a proper internal control system and maintain good corporate governance practices of our Group.

Having taken into account (i) the facts and circumstances leading to such non-compliance incidents; (ii) that our Group has taken remedial measures and the abovementioned non-compliance incidents have been rectified to the extent practicable; (iii) that our Group has implemented the abovementioned additional measures to avoid recurrence of the non-compliance incidents; and (iv) that the non-compliance incidents were mainly attributable to the practical difficulties and/or reasonable excuses as set out above and did not involve any fraudulent act on the part of our Directors or cast doubt on their integrity, our Directors consider that the abovementioned non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules or on our suitability for Listing under Rule 11.06 of the GEM Listing Rules and our Group’s enhanced internal control measures are adequate and effective.

The Sponsor, after considering the above and having reviewed the internal control measures and the findings and recommendations of the Internal Control Adviser, and having considered the above remedial actions taken by our Group and its business nature and current operating scale, concurs with our Director’s view that the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules and our Company’s suitability for listing under Rule 11.06 of the GEM Listing Rules and our Group’s enhanced internal control measures are adequate and effective.

INTELLECTUAL PROPERTY

Pursuant to the terms of the agreements between our customers and us, our customers retain exclusive ownership of all rights, title and interests in the intellectual properties of the products produced for them. We have obligations not to infringe their intellectual property rights and will be subject to liability if we are in breach of our obligations.

We have developed policies and procedures to protect the intellectual properties of our customers. Our employees are forbidden to reproduce or distribute any information related to the product designs of our customers. If they discover any suspected infringement of our customers' intellectual property rights, they have to report to their respective department heads as soon as possible. Furthermore, upon the receipt of third party complaints, we will investigate and take any necessary remedial measures to efficiently settle or resolve the disputes.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we are not aware of any infringement or potential infringement by any member of our Group of the intellectual property rights owned by any third parties, and no material complaint has been received and no claim has been made against us by our customers in relation to infringement of their intellectual property rights.

As at the Latest Practicable Date, we have not registered or sought to make any applications for registration of trademarks or patents.

CORPORATE GOVERNANCE AND INTERNAL CONTROL MEASURES

We maintain corporate governance and internal control measures to ensure effective and efficient management and operation of our business and to safeguard the interests of the Shareholders. We have implemented a corporate governance and internal control system, which includes:

- Policies and measures to protect the confidentiality of sensitive business information and regulate any information disclosure;
- Procedures to enhance communication between our management and our employees;
- Policies and procedures to identify and disclose connected transactions to ensure compliance with the GEM Listing Rules;
- Procedures and policies to report and communicate material information to our management;
- Disaster Recovery Plan;
- Computer information management system;
- Measures to ensure compliance with applicable laws and regulations; and

- Policies and measures to facilitate production safety.

Up to the Latest Practicable Date, save for the historical non-compliance incidents disclosed above, our Directors have not identified any material internal control weaknesses or failures.

HEALTH AND WORK SAFETY

We recognise the importance of maintaining a safe working environment, especially in relation to our operation in the Foshan Factory. We developed comprehensive occupational safety measures to mitigate or prevent the risks of industrial incidents including accidents in production, fire accidents and material operation disruption.

We developed operational manuals covering different areas of production, including prototyping, tailoring, sewing, ironing, machine operation, packaging and storage. We also provide regular training to our employees to familiarise them with our safety measures.

Mr. Ng Lai Wing is the quality assurance and factory operation manager of the Foshan Factory and is responsible for the development, implementation and monitoring of all control measures. Mr. Ng has also been assigned to develop and implement contingency and responsive plans and to deal with any accidents in production.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material industrial accidents and no claims for personal or property damages were made against us.

RISK MANAGEMENT

We have adopted and implemented risk management policies in various aspects of our business operations such as financial reporting and human resources management.

Financial Reporting Risk Management

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance.

Human Resource Risk Management

We have established internal control policies covering various aspects of human resource management such as recruiting, training, work ethics and legal compliance. Our employee handbook contains internal rule and guidelines regarding work ethics and the prevention of fraud and corruption.

BUSINESS

Ongoing Measures to Monitor the Implementation of Risk Management Policies

Our corporate governance committee, audit committee and senior management will monitor the implementation of our risk management policies across the Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our operations.

INSURANCE

We believe our insurance coverage is generally adequate to insure against the risks relating to our operations taking into account the size and type of our business. Our Directors also believe that our insurance coverage is generally in line with the standard commercial practice in the leather garment industry. Our insurance coverage includes employee compensation, personal accident, burglary, fire, any loss or damage to the inventory, plant and equipment, office and transit within Hong Kong and the PRC. Sometimes, we will purchase insurance for the delivery of leather from our suppliers to us. Our Directors confirm that payments under all existing insurance policies have been duly and promptly paid.

We do not maintain product liability insurance for our products. Our practice of not having product liability insurance is also generally in line with the garment industry practice. However, we have complied with our customers' requirements in relation to product safety during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, no material complaint or claim was made against us from any third parties in relation to the products we manufactured.

RESEARCH AND DEVELOPMENT

We have not engaged in any research and development activity during the Track Record Period.

AWARD AND RECOGNITION

In recognition of our Group's work safety standard and measures implemented in our production process, our Foshan Shengli has been awarded the Work Safety Standardisation Third Level Enterprise (Industrial Trading Enterprise) (安全生產標準化三級企業) by the Foshan City Work Safety Management Association (佛山市安全生產管理協會) in December 2012.

PROPERTIES

We have not owned any properties during the Track Record Period and as at the Latest Practicable Date.

BUSINESS

Leased properties

As at the Latest Practicable Date, we leased the following properties in Hong Kong and the PRC from Independent Third Parties:

Location	Lettable area	Key terms of the tenancy	Current use of the property
Hong Kong			
Unit 1 & 2, 17/F, Treasure Centre, 42 Hung To Road, Kwun Tong, Kowloon (“Current Headquarters”)	1,383 square feet	The lease is for a period from 1 July 2014 to 30 June 2016 at a monthly rent of HK\$20,000 as at the Latest Practicable Date.	Headquarters, inspection and quality control of raw materials, office and display room of leather products, ironing and sewing of leather products
Unit 7, 17/F, Treasure Centre, 42 Hung To Road, Kwun Tong, Kowloon (“HK Warehouse”)	539 square feet	The lease is for a period from 1 November 2013 to 31 October 2015 at a monthly rent of HK\$10,000 as at the Latest Practicable Date.	Warehouse for storage, inspection and quality control of raw materials and finished leather products, and ironing and sewing of leather products
The PRC			
3/F, Block A1, Hantian Electronics City, Dong Ping Road, Gweicheng, Nanhai, Foshan, Guangdong, China (中國廣東佛山市南海桂城瀚天科技城A1座三樓) (formerly known as 3/F, Block 1, Beiyue Industrial Zone, Guicheng Electronics City, Foshan, Guangdong, China (中國廣東省佛山市桂城科技園北約工業區1座廠房第三層))	3,168 sq.m.	The current lease is for a period from 1 May 2010 to 30 April 2015 at a monthly rent of RMB33,105.6 as at the Latest Practicable Date. The lease has been renewed with the landlord for a term of three years from 1 May 2015 to 30 April 2018 at a monthly rent (for the first year of the lease) of RMB50,688 and a monthly management fee of RMB1,584. The monthly rent for the second year and third year will be RMB52,462.08 and RMB54,298.25 respectively.	Manufacturing base

BUSINESS

Location	Lettable area	Key terms of the tenancy	Current use of the property
Suites 1811, 3509, 3608 3609 and 3708, Living District*, Hantian Electronics City, 17 Shen Hai Road, Gweicheng, Nanhai, Foshan, Guangdong, China (中國廣 東省佛山市南海區桂城街道 深海路17號瀚天科技城生活 配套區套房1811、3509、 3608、3609和3708房)	292.35 sq.m.	The lease is for a period from 1 January 2015 to 31 December 2015 at a monthly rent of RMB3,900, monthly management fee of RMB1,300 and electric power facilities maintenance fee of RMB1,300 as at the Latest Practicable Date.	Staff quarters
Dormitories 4611, 5202, 5401-5408, Living District, Hantian Electronics City, 17 Shen Hai Road, Gweicheng, Nanhai, Foshan, Guangdong, China (中國廣 東省佛山市南海區桂城街道 深海路17號瀚天科技城生活 配套區集體宿舍4611、 5202、5401-5408房)	456.48 sq.m.	The lease is for a period from 1 January 2015 to 31 December 2015 at a monthly rent of RMB3,900, monthly management fee of RMB1,300 and electric power facilities maintenance fee of RMB1,300 as at the Latest Practicable Date.	Staff quarters

Our lease for the Current Headquarters will expire on 30 June 2016 and the lease of the HK Warehouse will expire on 31 October 2015. Our current lease of the Foshan Factory will also expire on 30 April 2015. Nevertheless, for the Foshan Factory, we have renewed the lease with the landlord for a term of three years from 1 May 2015 to 30 April 2018 at a monthly rent (for the first year of the lease) of RMB50,688 and a monthly management fee of RMB1,584. The monthly rent for the second year and third year will be RMB52,462.08 and RMB54,298.25 respectively. The historical renewal rate for the lease of the Foshan Factory is 100% and our manufacturing base has always been located at its current location since the establishment of the Foshan Shengli in 2004.

Uses of our Current Headquarters and HK Warehouse

Under the Conditions of Sale (“**Government Lease**”), the Deed of Mutual Covenant and Management Agreement (“**DMC**”) and the Occupation Permit (“**OP**”), our Current Headquarters and HK Warehouse have to be used, in essence, for industrial purposes.

Our Current Headquarters and HK Warehouse are located in a factory building. As advised by our Hong Kong Legal Advisers, “industrial” use in the context of a factory building must involve some process of manufacturing and may include uses which are genuinely “ancillary to” such industrial use.

BUSINESS

Our Current Headquarters and HK Warehouse are currently put to use for inspection and quality control of raw materials, ironing and sewing of our leather products, warehouse for storage of raw materials and finished leather products, office, showroom and display room of finished leather products.

Our Directors are of the view (and our Hong Kong Legal Advisers concur) that such activities fall under the category of industrial activities which are in compliance with the permitted users as specified under the tenancy agreements, the Government Lease, the OP and the DMC. If however any relevant government authority takes a different view that such activities are not industrial activities on the grounds that there is a lack of manufacturing element pertaining to such uses or otherwise, the current uses of the two properties will not be in line with that permitted under the Government Lease, the DMC, the OP and/or the tenancy agreements. Accordingly, we could be ordered or requested by the relevant government authority, the manager of the building appointed under the DMC or our landlords to discontinue the current uses of the two properties under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), the terms of the Government Lease, the DMC or the tenancy agreements.

As at the Latest Practicable Date, we have not received any notice, demand or order from the relevant government authorities, the manager of the building appointed under the DMC or our landlords to discontinue the current uses of the two properties.

Nevertheless, any discontinuance of the current uses of the two properties and relocation to other premises are not expected to have any material adverse impact on the operation of our Group as the relocation cost is not expected to be material and we do not expect to have undue difficulty in finding and relocating to other suitable premises at acceptable rent level and on a timely basis for our operation. Thus, our Directors believe that there will be no material interruption to the operation of our Group.

LITIGATION

During the Track Record Period and as at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to the Directors to be pending or threatened against any member of our Group.

HEDGING

We did not enter into any hedging activity during the Track Record Period.

LICENCE & PERMITS

Save as disclosed in the section headed “Regulations” of this prospectus, there is no specific licensing requirement for conducting our Group’s business in Hong Kong and the PRC in addition to what is generally required for carrying on businesses in these places. Pursuant to the advice of the Hong Kong Legal Advisers and the PRC Legal Advisers, the Group has obtained all material licenses, permits and certificates which are necessary for its operations in Hong Kong and the PRC respectively.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Placing and Capitalisation Issue (and taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), BVI-Cheung will directly hold approximately 51% of the issued share capital of our Company. BVI-Cheung is an investment holding company incorporated on 2 July 2014 in the BVI. The entire issued share capital of BVI-Cheung is owned by Ms. Idy Cheung. Details of the background of Ms. Idy Cheung are set out in the section headed “Directors, senior management and staff” in this prospectus.

For the purpose of the GEM Listing Rules, Ms. Idy Cheung and BVI-Cheung are deemed as the Controlling Shareholders of our Company as at the Latest Practicable Date.

The Individual Owners (i.e. Ms. Idy Cheung, Ms. Grace Lam and Mr. Ramond Ching) are not a group of controlling shareholders or a closely allied group of shareholders (for the purpose of Rule 19.45 of the GEM Listing Rules) of the Company. Each of the Individual Owners has been acting independently and has not been acting in concert with each other in making decisions on business and operational matters at either Board level or shareholders level. In reaching decisions, each of the Individual Owners has exercised his/her judgment in a rational, professional, independent and business manner. Moreover, each of the Individual Owners confirms that neither any voting agreement, nor any arrangement as to the exercise of their voting rights, nor any consensus building agreement in respect of Perline or the Group have ever existed between any of them.

Information on other companies owned by our Controlling Shareholders

As at the Latest Practicable Date, other than the business carried out by our Group, our Controlling Shareholders also had controlling interest in certain companies, some of which are dormant and the others relate to provision of accounting services or for effecting life insurance policies (collectively, the “**Excluded Business**”). These companies are principally engaged in businesses of sectors different from that of our Group.

Our Directors have considered that it is either unnecessary or not in the best interest of our Group to include the Excluded Business in our Group for the purpose of Listing as the Excluded Business are not relevant to our principal business. As at the Latest Practicable Date, none of our Controlling Shareholders controls any business which competes, or is likely to compete, either directly or indirectly, with our business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Group is capable of carrying on our business independently from and does not place undue reliance on our Controlling Shareholders, taking into consideration the following factors:

Management independence

Our Board comprises three executive Directors, one non-executive Director and three INEDs. Ms. Idy Cheung, who is a director of BVI-Cheung, is only one of our executive Directors and a Controlling Shareholder.

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 and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/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 their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

We have an independent management team to carry out the business decisions of our Group independently and to perform all essential management functions (such as operating our principal businesses, invoicing and billing, and human resources and information technology) without unduly requiring the support of our Controlling Shareholders. Our INEDs have sufficient and competent industry knowledge and experience, and will bring independent judgment to the decision making process of our Board, taking into account the advice of the senior management of our Group.

Our Directors are satisfied that our senior management team (including Ms. Grace Lam and Mr. Ramond Ching) is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Listing.

Business independence

There were no material business dealings between our Group and the Controlling Shareholders during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, our Group and our Controlling Shareholders did not have any common or shared facilities or resources. Our Group has independent access to the sources of supplies for the manufacture of our leather products. Neither our Controlling Shareholders nor any of their respective close associates is a supplier or an intermediary for our Group's supplies. We have independent access to our customers. Our Directors believe that our Group has not unduly relied on the Controlling Shareholders or their respective close associates to carry on our business during the Track Record Period.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Financial independence

During the Track Record Period, we principally financed our operations through a combination of (i) cash generated from our operations; (ii) borrowings from banks; as well as (iii) borrowings from our Controlling Shareholders. As at 30 June 2013, 30 June 2014 and 30 September 2014:

- (a) in respect of borrowings (“Shareholders Loan”) by our Group from the Individual Owners (including the Controlling Shareholders) made in 2010, approximately HK\$3.4 million, HK\$3.3 million and HK\$3.3 million respectively remained outstanding and payable to our Controlling Shareholders, and no interest was carried in connection with such borrowings (*Note 1*); and
- (b) our loans and borrowings of HK\$2.1 million, nil and nil were secured by guarantees given by (among other persons) our Controlling Shareholders (*Note 2*).

Notes:

- 1. The Shareholders Loan was repaid in full by us to the Individual Owners (including our Controlling Shareholders) in October 2014.
- 2. A bank facility of HK\$2 million provided to the Group was jointly guaranteed by Ms. Idy Cheung (a Controlling Shareholder) and Ms. Grace Lam.

As of the Latest Practicable Date, all loans (including the Shareholders Loans), advances and balances due to and from our Controlling Shareholders have been fully settled. All security and guarantees provided by them in connection with our Group’s borrowings have been fully released.

Save as mentioned above, our source of funding is independent from our Controlling Shareholders, and none of our Controlling Shareholders or their respective close associates financed our operations during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had independent financial and accounting and internal control systems, independent treasury function for receiving cash and making payments, and we had independent access to third party financing. Our Group is capable of making financial decisions according to our own business needs. Our Directors also believe that we are able to obtain financing independent from our Controlling Shareholders and their respective close associates after Listing.

Save as aforesaid, our Group does not rely on our Controlling Shareholders and/or their respective close associates by virtue of their provision of financial assistance.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational independence

While our Board has full rights to make decisions on the overall strategic development and management and operational aspects of our Group, all of the essential operational functions including business development, marketing and sales operations, have been and will be overseen by our management team separately and independently from the Controlling Shareholders. Our Group does not rely on referral of business opportunities from the Controlling Shareholders. The management team of our Group has been and will be able to seek business opportunities for our Group. The capability of our Group to operate independently from the Controlling Shareholders is not considered to be a concern.

COMPETITION AND CONFLICT OF INTERESTS

Undertakings given by Controlling Shareholders

Each of our Controlling Shareholders has confirmed that none of them or their respective close associates is engaged in, or interested in any business (other than that of our Group) which, directly or indirectly, competes or may compete with our business or has or may have any conflict of interests with our Group. To protect our Group from any potential competition, the Controlling Shareholders (collectively, the “**Covenantors**”) have given non-compete undertakings (the “**Non-Compete Undertakings**”) in favour of our Company which are contained in the share purchase agreement (in respect of the entire issued shares in Perline) dated 4 December 2014, pursuant to which the Covenantors have, among other matters, irrevocably undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of the Covenantors shall, and shall procure that their respective close associates and/or companies controlled by them (other than our Group) shall:

- (i) not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to manufacture and sale of leather garments) in Hong Kong and/or the PRC or any other country or jurisdiction in or to which our Group carries on business mentioned above from time to time (the “**Restricted Activity**”);
- (ii) not solicit any then existing employee of our Group for employment by it/her or its/her close associates (excluding our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/her knowledge in its/her capacity as our Controlling Shareholder for any purpose of engaging, investing or participating in any Restricted Activity;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;
- (v) not invest or participate in any Restricted Activity; and
- (vi) procure its/her close associates (excluding our Group) not to invest or participate in any project or business opportunity of the Restricted Activity.

The above undertakings (i) and (vi) are subject to the exception that any of the close associates of the Covenantors (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Activity or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review and approval by our Directors (including our INEDs without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of the INEDs), confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Activity and provided also that the principal terms on which that relevant close associate of the Covenantor(s) invests, participates or engages in the Restricted Activity are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the relevant close associate of the Covenantor(s) decides to be involved, engaged, or participate in the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

The Non-Compete Undertakings will become effective conditional on (i) the Stock Exchange granting listing of, and permission to deal in, all our Shares in issue and to be issued under the Placing; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriters) and that the Underwriting Agreement not being terminated in accordance with its terms or otherwise.

For the above purpose, the “Relevant Period” means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

- (a) the date on which the Covenantors and their close associates (whether individually or taken as a whole) ceases to own 30% or more of the then issued share capital of our Company (whether directly or indirectly) or cease to be considered as our Controlling Shareholders and do not have power to control the majority of our Board; and
- (b) the date on which our Shares cease to be listed on the Stock Exchange (whether on GEM or otherwise).

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of the Covenantors has undertaken in favour of our Company under the Non-Compete Undertakings that she or it shall provide to us and our Directors (including our INEDs) from time to time all information necessary for the annual review by our INEDs with regard to compliance with the terms of the Non-Compete Undertakings by the Covenantors. Each of the Covenantors has also undertaken in favour of our Company to make an annual declaration as to compliance with the terms of the Non-Compete Undertakings in our annual reports.

Confirmation given by Directors

Each Director confirms that he/she does not have any competing business with our Group.

Corporate governance

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to compliance and enforcement of the Non-Compete Undertakings, we have adopted the following corporate governance measures:

- (a) the INEDs would review, at least on an annual basis, the compliance with and enforcement of the terms of the Non-Compete Undertakings by our Controlling Shareholders and if any, the options, pre-emptive rights or first rights of refusals provided by our Controlling Shareholders and/or their respective close associates on their existing or future competing businesses. Such options, pre-emptive rights or first rights of refusals relate to business which our Group may engage in the future (and, in such context, does not mean the business currently engaged by our Group);
- (b) our Company shall disclose decisions with basis on matters reviewed by the INEDs relating to non-compliance and enforcement of the Non-Compete Undertakings (including whether to take up the options, pre-emptive rights or first rights of refusals) either through annual report, or by way of announcement and/or other documents issued or published by our Company as required under the GEM Listing Rules;
- (c) our Company shall disclose in the corporate governance report of the annual reports on how the terms of the Non-Compete Undertakings are complied with and enforced;
- (d) our Controlling Shareholders have undertaken to provide all information necessary to our Company for the annual review by our INEDs and the enforcement of the Non-Compete Undertakings;
- (e) our Controlling Shareholders have undertaken to provide a written confirmation to our Company upon written request by our Company in respect of the compliance with the terms of the Non-Compete Undertakings by our Controlling Shareholders and her/its close associates;
- (f) in the event that any of our Directors and/or their respective close associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Non-Compete Undertakings or other proposed transactions in which

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

such Directors and/or their respective close associates have material interest, he/she/they may not vote on the resolutions of our Board considering and approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles; and

- (g) where the advice from any independent professional, such as that from financial adviser, is reasonably requested by our Directors (including the INEDs), the appointment of such independent professional will be made at our Company's expenses.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

BRIEF INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of three executive Directors, one non-executive Director and three INEDs. It is responsible for and has general powers for the management and conduct of our business.

The day-to-day operations of our Group are supervised and carried out by our executive Directors with the assistance of our senior management.

The following table sets out some information in respect of our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Main roles and responsibilities	Relationship with other Directors and senior management (other than that through or relating to the Group)
Ms. CHEUNG Woon Yiu (張煥瑤)	50	Executive Director and Chairman	31 March 2010	3 September 2014	Responsible for corporate strategic formulation and goal setting, and overseeing the finance and secretarial functions	Spouse to Ms. Grace Lam's cousin
Ms. LAM Wai Si Grace (林慧思)	43	Executive Director and Chief Executive Officer of our Group	1 November 1999	3 September 2014	Responsible for the marketing function of our Group and also overseeing and directing the daily operations	Cousin of Ms. Idy Cheung's spouse
Mr. CHING Wai Man (程偉文)	51	Executive Director	1 March 2010	3 September 2014	Responsible for the production function of our Group	N.A.
Ms. NG Lai Hung (吳麗虹)	47	Non-executive Director	31 March 2010	3 September 2014	Responsible for providing advice on corporate governance and internal control matters	N.A.
Mr. WONG Wai Kong (黃偉栢)	49	INED	28 January 2015	28 January 2015	<i>See note below</i>	N.A.
Mr. HOW Sze Ming (侯思明)	37	INED	28 January 2015	28 January 2015	<i>See note below</i>	N.A.
Mr. Philip David THACKER	52	INED	28 January 2015	28 January 2015	<i>See note below</i>	N.A.

Note: Participating in meetings of the Board to bring an independent judgment to bear on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required; taking the lead where potential conflicts of interest arise and serving on our Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee (as the case may be).

DIRECTORS, SENIOR MANAGEMENT AND STAFF

The following table sets out some information in respect of our senior management (other than those of our executive Directors):

Senior Management

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining our Group</u>	<u>Major role and responsibilities</u>	<u>Relationship with other Directors and senior management (other than that through or relating to the Group)</u>
Ms. FA Pik Hoi (花碧海)	55	Merchandising manager	6 December 2004 (left on 15 February 2010 and re-joined on 1 January 2011)	Responsible for monitoring our Group's marketing programs, product design and development, maintaining relationships with customers, and preparing client presentations	N.A.
Mr. NG Lai Wing (吳麗榮)	59	Quality assurance and factory operation manager	20 August 2012	Responsible for quality control and overseeing the operations of the Foshan Factory by formulating, implementing, managing and evaluating various processes to enhance the production effectiveness and efficiency and quality control	N.A.
Mr. LEUNG Hoi Keung (梁海強)	45	Sourcing manager	1 April 2014	Responsible for strategic sourcing management and collaborating with suppliers to develop effective solutions in sourcing and vendor sourcing and evaluation, overseeing order placement process and negotiation with vendors	N.A.
Ms. HO Fung Yee (何鳳儀)	47	Administrative and credit management manager	1 June 1988	Responsible for credit management, administrative and treasury function of our Group and assisting the Board in monitoring our Group's financial position	N.A.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining our Group</u>	<u>Major role and responsibilities</u>	<u>Relationship with other Directors and senior management (other than that through or relating to the Group)</u>
Mr. CHAN Hing Yik (陳慶益)	30	Company secretary	1 July 2014	Responsible for the accounting and company secretarial matters of our Group	Employee of Idy Cheung & Co (an accounting firm operated by Ms. Idy Cheung as sole proprietor)

DIRECTORS

Executive Directors

Ms. CHEUNG Woon Yiu (張煥瑤, alias Idy Cheung), aged 50, is our Chairman and an executive Director. She joined our Group in March 2010 when she was appointed a director of Perline. She was appointed a director of Foshan Shengli in April 2010. In September 2014, she was appointed as a director of our Company and also of Odella BVI. She is responsible for our Group's corporate strategic formulation and goal setting, and overseeing the finance and secretarial functions.

Ms. Cheung was awarded a Bachelor of Economics degree by the University of Sydney, Australia in June 1993. She is a practising member of HKICPA and a member of the Australian Society of Certified Practising Accountants. She has extensive experience in accounting, auditing and corporate finance. She worked in an international accounting firm for four years and since April 1998, she has been the sole proprietor of a firm of certified public accountants in Hong Kong, namely Idy Cheung & Co.. She currently expects to devote 70% of her time to her position in our Group and 30% to that of Idy Cheung & Co. Ms. Idy Cheung and Ms. Grace Lam are family relatives, namely, Ms. Idy Cheung's husband is a cousin of Ms. Grace Lam.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Prior to joining our Group, Ms. Idy Cheung worked or assumed offices (as the case may be) in various companies or entities, including the following:

<u>Period of services</u>	<u>Name of entity</u>	<u>Principal business activities</u>	<u>Major office and responsibilities</u>
January 1993 to July 1997	Ernst & Young	Certified public accountants	Senior II, performing audit works
Since April 1998	Idy Cheung & Co.	Certified public accountants	Sole proprietor, overseeing general operation
January 2002 to November 2011	Messis Capital Limited (formerly known as Menlo Capital Limited)	Financial advisory	Director, overseeing general operation
April 2003 to May 2014	Messis Capital Limited (formerly known as Menlo Capital Limited)	Financial advisory	Responsible officer for type 6 (advising on corporate finance) regulated activities

Ms. Idy Cheung is the sole shareholder of BVI-Cheung which is a Controlling Shareholder. BVI-Cheung will hold approximately 51% of the issued share capital in our Company immediately following completion of the Placing and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).

During the period from June 1997 up to September 2000, Ms. Cheung was a director of Ip, Woo & Cheung Limited (“**IWC Limited**”), being a private company incorporated in Hong Kong. IWC Limited was dissolved in September 2000 by deregistration by its own application pursuant to section 291AA of the Predecessor Companies Ordinance. IWC Limited has never commenced business operation and had no outstanding liabilities immediately before deregistration.

Ms. LAM Wai Si Grace (林慧思), aged 43, is our Chief Executive Officer and an executive Director. She is primarily responsible for the marketing function of our Group and also overseeing and directing the daily operations. She joined our Group in November 1999 as a sales manager, and was appointed a director of Perline in March 2010. She was appointed a director of Foshan Shengli in April 2010. In September 2014, she was appointed as a director of our Company and also of Odella BVI.

Ms. Grace Lam was awarded a Bachelor of Mathematics degree (with honours) from the University of Waterloo, Ontario, Canada in May 1995. In September 1996 and August 1996, she became qualified to be a certified management accountant of The Society of Management Accountants of Ontario and was awarded the certificate of certified public accountant in the state of Illinois, the USA, respectively. Ms. Grace Lam is a cousin of Ms. Idy Cheung’s husband.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Ms. Grace Lam has over 15 years of experience in the marketing of garment and management function. Before joining our Group, she worked or assumed offices (as the case may be) in various companies or entities, including the following:

<u>Period of services</u>	<u>Name of entity</u>	<u>Principal business activities</u>	<u>Major office and responsibilities</u>
1998 to 1999	Sears Canada Inc.	Manufacture and trading of garment	Merchandiser, performing merchandising functions

Ms. Grace Lam is the sole shareholder of BVI-Lam which is a Substantial Shareholder. BVI-Lam will hold approximately 12.75% of the issued share capital in our Company immediately following completion of the Placing and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).

Mr. CHING Wai Man (程偉文, alias Ramond Ching), aged 51, is an executive Director. He is primarily responsible for the production function of our Group. He worked in Odella Company Limited (“OCL”, a company which was principally engaged in trading of leather garments, and which was owned by Mr. HK Lam and his spouse; and OCL was deregistered in 2012) as a merchandiser for over 20 years. He joined our Group in March 2010 when he was appointed a director of Perline. He was appointed a director of Foshan Shengli in April 2010. In September 2014, he was appointed as a director of our Company and also of Odella BVI. Mr. Ramond Ching obtained a diploma in knitting technology from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1983.

Mr. Ramond Ching has over 27 years’ experience in the garment and leather industry. Prior to joining our Group, Mr. Ramond Ching worked or assumed offices (as the case may be) in various companies or entities including the following:

<u>Period of services</u>	<u>Name of entity</u>	<u>Principal business activities</u>	<u>Major office and responsibilities</u>
May 1987 to May 1989	Mountain Rose Company, Ltd.	General trading and export	Assistant merchandiser, performing merchandising functions
July 1989 to February 2010	OCL	Trading of leather garments	Merchandiser, performing merchandising functions

Mr. Ramond Ching is the sole shareholder of BVI-Ching which is a Substantial Shareholder. BVI-Ching will hold approximately 11.25% of the issued share capital in our Company immediately following completion of the Placing and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Ms. NG Lai Hung (吳麗虹), aged 47, is a non-executive Director. She is primarily responsible for providing advice in corporate governance and internal control matters. She joined our Group as a director of Perline in March 2010. In September 2014, she was appointed as a director of our Company and also of Odella BVI. She was awarded a Bachelor Degree of Arts in Accountancy (with honours) from The City Polytechnic of Hong Kong (now known as The City University of Hong Kong) in November 1991. She is a practicing member of HKICPA and an associate member of The Institute of Chartered Accountants in England and Wales.

Ms. Ng has over 20 years of experience in professional accounting service, corporate finance and merger and acquisitions in Hong Kong, PRC and North America. She served in one of the Big Four international accounting firms in the past decade and worked as a Senior Manager before joining the private sector. She worked as a senior executive in a US private equity fund for about one year. She has experience in accounting services, internal control review and advisory, corporate finance and mergers and acquisitions. Ms. Ng also worked or assumed offices (as the case may be) in various companies or entities including the following:

Period of services	Name of entity	Principal business activities	Major office and responsibilities
July 1991 to October 1992	Moore's Rowland	Certified public accountants	Audit Intermediate, performing audit works
October 1992 to December 1994	Ernst & Young	Certified public accountants	Senior I, performing audit works
January 1995 to November 1997	Land Development Corporation	Statutory body in Hong Kong responsible for accelerating urban redevelopment	Assistant Finance Manager (General Accounting), responsible for maintaining accounting records, assisting in preparation of financial statements
November 1997 to January 2006	Ernst & Young	Certified public accountants	Senior Manager, providing assurance and advisory business services
January 2006 to October 2007	Grand Toys International Limited (which American Depositary Shares were then listed on The Nasdaq Stock Market, and were delisted on 17 July 2008)	Development and distribution of toy and toy related products	Group Financial Controller, responsible for financial functions

DIRECTORS, SENIOR MANAGEMENT AND STAFF

<u>Period of services</u>	<u>Name of entity</u>	<u>Principal business activities</u>	<u>Major office and responsibilities</u>
November 2007 to November 2008	Lotus Capital Management, Limited	Private equity fund	Vice President, responsible for identifying, assessing and evaluating the investment opportunities offered to Lotus China Funds, private equity funds, and liaising with relevant parties to carry out deal execution, proposed initial public offerings and merger and acquisitions
Since February 2009	Cosmos CPA Limited	Certified public accountants	Director, providing audit and assurance services
Since August 2010	Corporate Risk Advisory Services Limited	Provision of professional services	Director, providing risk advisory services
Since June 2012	DGC HK CPA Limited	Certified public accountants	Director, providing audit and assurance services

During the period from February 1997 up to September 2007, Ms. Ng was a director of Dragon Man Limited, being a private company incorporated in Hong Kong. Dragon Man Limited was dissolved in September 2007 by deregistration by its own application pursuant to section 291AA of the Predecessor Companies Ordinance. Dragon Man Limited was a property holding company prior to being dissolved by deregistration and it had no outstanding liabilities immediately before deregistration.

INEDs

Mr. WONG Wai Kong, (黃偉桃, formerly known as 黃偉光), aged 49, was appointed as an INED with effect from 28 January 2015. Mr. Wong obtained a Bachelor of Business Administration degree from the Hong Kong Baptist University in Hong Kong in November 1990, a Master of Business Administration degree from the University of Sheffield in the United Kingdom in May 1995 and a Master of Science degree majoring in Business Information Technology from the Middlesex University in the United Kingdom in January 2003. Mr. Wong is a certified public accountant (practising) in Hong Kong and a fellow member of the HKICPA and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Wong has over 15 years of experience in corporate finance, financial advisory and management, professional accounting and auditing. Mr. Wong has worked as an auditor in two international accounting firms for 5 years. He worked as the chief financial officer from December 2002 to September 2008 and has since October 2008 been an executive director of Kam Hing International Holdings Limited

DIRECTORS, SENIOR MANAGEMENT AND STAFF

(stock code: 2307), a company listed on the Stock Exchange. He has also been an INED of Koradior Holdings Limited (stock code: 3709), a company listed on the Stock Exchange since 6 June 2014.

Mr. Wong also worked or assumed offices (as the case may be) in various companies or entities including the following:

<u>Period of services</u>	<u>Name of entity</u>	<u>Principal business activities</u>	<u>Major office and responsibilities</u>
October 1997 to December 1999	Ernst & Young	Certified public accountants	Audit Senior, performing audit works
December 1999 to December 2002	Shun Tak — China Travel Ship Management Limited	Ship management	Assistant Financial Controller, responsible for finance functions
December 2002 to September 2008	Kam Hing International Holdings Limited (stock code: 2307)	Production and sale of garment and textile	Chief financial officer and company secretary, responsible for finance and company secretarial functions
Since October 2008	Kam Hing International Holdings Limited (stock code: 2307)	Production and sale of garment and textiles	Executive director, responsible for the strategic planning and corporate development of the group

As at the Latest Practicable Date and in the three years preceding that date, in addition to his directorship in Kam Hing International Holdings Limited as disclosed above, Mr. Wong also held directorship in the following listed company:

<u>Name of listed issuer</u>	<u>Place of listing and stock code</u>	<u>Major office and responsibilities (if an executive)</u>
Koradior Holdings Limited	Hong Kong, 3709	INED

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. HOW Sze Ming (侯思明), aged 37, was appointed as an INED with effect from 28 January 2015. He graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree (first class honour, majoring in professional accountancy) in December 1999. By profession, he is a fellow member of the Association of Chartered Certified Accountants and an associate member of HKICPA. Mr. How is the managing director of the investment banking department of CMB International Capital Corporation Limited and an INED of QPL International Holdings Limited (stock code: 243).

Mr. How has over 15 years of experience in investment banking and business assurance industries. He also worked or assumed offices (as the case may be) in various companies or entities including the following:

<u>Period of services</u>	<u>Name of entity</u>	<u>Principal business activities</u>	<u>Major office and responsibilities</u>
September 1999 to July 2002	PricewaterhouseCoopers	Certified public accountants	Senior Associate of Assurance and Business Advisory Department, performing assurance and business advisory works
July 2002 to June 2003	Tai Fook Securities Company Limited (now known as Haitong International Securities Company Limited)	Securities broking, securities dealing and leveraged foreign exchange trading	Corporate Finance Executive, responsible for corporate finance advisory
July 2003 to December 2004	Tai Fook Capital Limited (now known as Haitong International Capital Limited)	Corporate finance advisory	Assistant Manager, responsible for corporate finance advisory
December 2004 to May 2006	CCB International Capital Limited	Securities advisory, securities dealing and corporate finance advisory	Assistant Vice President, responsible for corporate finance advisory
June 2006 to March 2009	ICEA Capital Limited	Dealing in securities and corporate finance advisory	Assistant Vice President – Investment Banking Division, responsible for corporate finance advisory
April 2009 to February 2010	ICBC International Holdings Limited	Investment banking	Assistant Vice President – Investment Banking Division, responsible for corporate finance advisory
Since February 2010	CMB International Capital Corporation Limited	Investment banking, securities brokerage and asset management	Managing Director of Investment Banking Department, responsible for corporate finance advisory

DIRECTORS, SENIOR MANAGEMENT AND STAFF

As at the Latest Practicable Date and in the three years preceding that date, Mr. How held directorship in the following listed company:

<u>Name of listed issuer</u>	<u>Place of listing and stock code</u>	<u>Major office and responsibilities (if an executive)</u>
QPL International Holdings Limited	Hong Kong, 243	INED

Mr. Philip David THACKER, aged 52, was appointed as an INED with effect from 28 January 2015. He was awarded a Bachelor of Arts degree in classical studies from the University of Leicester in the United Kingdom in July 1984 and obtained a Master of Business Administration degree from The Open University in the United Kingdom through long distance learning in December 1992. He completed a course named “The 15th Executive Training Programme in Japan (ETP15)” organised by the European Commission in November 1996. He has been a senior adviser to Pentland Brands plc since January 2002 and an executive director of Berghaus Japan Co., Ltd during July to October 2009 and since August 2012.

Mr. Thacker also worked or assumed offices (as the case may be) in various companies or entities including the following:

<u>Period of services</u>	<u>Name of entity</u>	<u>Principal business activities</u>	<u>Major office and responsibilities</u>
October 1999 to October 2002	On-Line plc (London Stock Exchange stock code: ONL)	Developer and publisher of internet content	Non-executive director
March 2000 to April 2001	ADVFN.com plc (London Stock Exchange stock code: AFN)	Development and provision of financial information	Director
Since January 2002	Pentland Brands plc	Brand management and retail of footwear, clothing and related accessories in the sports, outdoor and fashion sectors	Senior adviser, advising on brand management in the Asia Pacific and develop general business strategies
July to October 2009 and since August 2012	Berghaus Japan Co., Ltd	Brand management	Executive director, responsible for brand management in the Asia Pacific region and developing Asia Pacific and general business strategies

DIRECTORS, SENIOR MANAGEMENT AND STAFF

As at the Latest Practicable Date and in the three years preceding that date, Mr. Thacker did not hold directorship in any listed companies.

General

Save as disclosed above, there is no other information relating to our Directors that needs to be disclosed under the requirements under Rule 17.50(2) of the GEM Listing Rules.

Save as disclosed above, none of our Directors:

- (i) held any other positions in our Company or other members of our Group as at the Latest Practicable Date;
- (ii) had any other relationship with any Directors, senior management or Substantial Shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; and
- (iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

Except for such interests of Ms. Idy Cheung, Ms. Grace Lam and Mr. Ramond Ching in the Shares which are disclosed above, none of our Directors has any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company. Each of our Directors has confirmed that none of them or their respective close associates is engaged in, or interested in any business (other than that of our Group) which, directly or indirectly, competes or may compete with our business or has or may have any conflict of interests with our Group.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Ms. FA Pik Hoi (花碧海), aged 55, is the merchandising manager of our Group. She joined the marketing department of our Group in December 2004, left in February 2010 and re-joined in January 2011. She is responsible for monitoring our Group's marketing programs, product design and development, maintaining relationships with customers, and preparing client presentations. She completed a training course in quality control in Clothing Industry Training Authority in Hong Kong in May 1980 and obtained a certificate on flat pattern stylist from Hong Kong Institute of Fashion Design in September 1984.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Ms. Fa has about 23 years of experience in the marketing of garments. Prior to joining our Group, Ms. Fa also worked or assumed offices (as the case may be) in various companies or entities, including the following:

<u>Period of services</u>	<u>Name of entity</u>	<u>Principal business activities</u>	<u>Major office and responsibilities</u>
February 1991 to June 1997	Novita Sport Ltd.	Garment merchandising	Assistant merchandising manager, handling all garment orders for overseas buyers
July 1997 to January 1998	Mutual Bond International Limited	Trading and consultancy	Executive senior merchandiser, managing clients' accounts
March 1998 to March 2001	Truswin Company Limited	Store	Merchandising manager in the apparel department, managing clients' accounts
July 2001 to November 2004	Degas Investments Ltd.	Import, export and commission agents	Team Head of Woven Department, supervising merchandising functions including samples development and orders follow up

Mr. NG Lai Wing (吳麗榮), aged 59, joined our Group in August 2012 as quality assurance and factory operation manager and is responsible for quality control and overseeing the operations of the Foshan Factory by formulating, implementing, managing and evaluating various processes to enhance the production effectiveness and efficiency and quality control.

He has over 20 years of experience in local garment industry and has extensive experience in factory management. Prior to joining our Group, Mr. Ng worked in Lana Fashion Wear Co., Ltd., a local fashion wear company, as quality assurance manager for over 18 years and has gained solid experience in quality assurance of garments and factory management.

Mr. LEUNG Hoi Keung (梁海強), aged 45, joined the sourcing department of our Group in April 2014 and is our sourcing manager responsible for strategic sourcing management and collaborating with suppliers to develop effective solutions in sourcing. He is also responsible for vendor sourcing and evaluation, overseeing order placement process and negotiation with vendors.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Leung completed his secondary education in 1986. He has over 17 years of experience in material sourcing. Prior to joining our Group, Mr. Leung worked or assumed offices (as the case may be) in various companies or entities including the following:

<u>Period of services</u>	<u>Name of entity</u>	<u>Principal business activities</u>	<u>Major office and responsibilities</u>
December 1998 to July 1999	Chesford Industries Ltd.	Trading	Merchandiser, performing merchandising functions
February 2001 to March 2010	Li & Fung (Trading) Ltd.	Export trading and investment holding	Senior merchandiser, performing merchandising functions
March 2011 to November 2012	Promotional Partners Group Ltd.	Promotional marketing agency	Senior merchandiser, performing merchandising functions
March 2013 to January 2014	Kwong Wing & Co (China) Ltd.	Trading	Merchandising manager, performing merchandising functions

Ms. HO Fung Yee (何鳳儀), aged 47, is our administrative and credit management manager and responsible for credit management, administrative and treasury function of our Group and assisting the Board in monitoring our Group's financial position. She obtained a Bachelor of Arts in Business Administration degree from the University of Portsmouth in the United Kingdom through long distance learning in February 2007.

Ms. Ho joined our Group in June 1988 as a merchandiser and has about 26 years of experience in the leather garment manufacturing industry.

For the background of Mr. Chan Hing Yik, our company secretary and senior management, please refer to the paragraph headed "Directors, senior management and staff — Company secretary" in this prospectus.

COMPANY SECRETARY

Mr. CHAN Hing Yik (陳慶益), aged 30, was appointed as our company secretary on 22 September 2014. He joined our Group in July 2014 as accounting manager. He is responsible for the accounting and company secretarial matters of our Group.

Mr. Chan was awarded a Bachelor of Business Administration degree (majoring in accountancy) from The Hong Kong Polytechnic University in October 2008. By profession, he is a member of HKICPA.

Mr. Chan has also been working in the assurance services department of Idy Cheung & Co. (a local accounting firm solely owned by Ms. Idy Cheung, who is an executive Director and Chairman of our Company) since June 2008.

COMPLIANCE OFFICER

Ms. Idy Cheung serves as the compliance officer of our Company for the purpose of the GEM Listing Rules. For details of Ms. Idy Cheung's background, please refer to the paragraph headed "Executive Directors" in this section.

REMUNERATION POLICY

The aggregate amounts of remuneration of our Directors for the two years ended 30 June 2014 and the three months ended 30 September 2014 were approximately HK\$1.3 million, HK\$1.9 million and HK\$0.5 million respectively. Details of the arrangement for remuneration are set out in note 12 to the Accountants' Report in Appendix I to this prospectus. Under such arrangement and pursuant to our Directors' service contracts and letters of appointment referred to in the paragraph headed "Appendix V Statutory and General Information — 3.2 Directors' service contracts and letters of appointment" in this prospectus, the aggregate amount of Directors' fee and other emoluments payable to our Directors (excluding any discretionary bonuses) for the year ending 30 June 2015 is estimated to be approximately HK\$2.1 million.

Our Group's principal policies concerning remuneration of Directors or staff of high caliber are determined based on the relevant Director's or staff's duties, responsibilities, experience and skills. Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. Our Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to our operations. Our Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management. Our Company regularly provides discretionary bonuses to our senior management and key employees as incentive.

Our Company has conditionally adopted the Share Option Scheme on 28 January 2015 to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Please see the paragraph headed "4. Share Option Scheme" in Appendix V to the prospectus for further details of the Share Option Scheme.

After Listing, our Remuneration Committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by our Company to, or received by, our Directors as an inducement to join or upon joining our Company.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

BOARD COMMITTEES

The Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee of our Company were approved to be established by resolutions passed by our Board on 28 January 2015. The membership of such committees are as follows:

<u>Name of Director</u>	<u>Audit Committee</u>	<u>Remuneration Committee</u>	<u>Nomination Committee</u>	<u>Corporate Governance Committee</u>
<i>Executive Directors</i>				
Ms. CHEUNG Woon Yiu	N.A.	N.A.	Chairman	N.A.
Ms. LAM Wai Si Grace	N.A.	Member	N.A.	N.A.
Mr. CHING Wai Man	N.A.	N.A.	N.A.	N.A.
<i>Non-executive Director</i>				
Ms. NG Lai Hung	N.A.	N.A.	N.A.	Chairman
<i>INEDs</i>				
Mr. WONG Wai Kong	Chairman	Member	Member	Member
Mr. HOW Sze Ming	Member	Chairman	Member	Member
Mr. Philip David THACKER	Member	N.A.	N.A.	Member

Each of the above four committees has written terms of reference. The functions of the above four committees are summarised as follows:

Audit Committee

Our Audit Committee has written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the Corporate Governance Code and Corporate Governance Report (“CG Code”) as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of our Company.

Remuneration Committee

Our Remuneration Committee has written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the CG Code. The primary functions of our Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure none of our Directors determine their own remuneration.

Nomination Committee

Our Nomination Committee has written terms of reference in compliance with the CG Code. The primary functions of our Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement our Company's corporate strategy; identify individuals suitably qualified as potential Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of INEDs; and make recommendations to the Board on the appointment or reappointment of Directors and succession planning of Directors, in particular that of our Chairman and the Chief Executive Officer.

Corporate Governance Committee

Our Corporate Governance Committee has written terms of reference in compliance with the CG Code. The primary functions of our Corporate Governance Committee are (i) to develop and review our Group's policies and practices on corporate governance and make recommendations to the Board; (ii) to review and monitor the training and continuous professional development of our Directors and senior management; (iii) to review and monitor our Group's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) to review our Company's compliance with the CG Code and disclosure in the corporate governance report.

COMPLIANCE ADVISER

We have appointed Halcyon Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise us on, among other matters, the following:

- (i) (before its publication) any regulatory announcement, circular or financial report;
- (ii) a transaction, which might be a notifiable or connected transaction or will involve share issues and share repurchases;
- (iii) where our Company proposes to use the net proceeds of the Placing in a manner different from that set out 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 any inquiry of us under Rule 17.11 of the GEM Listing Rules.

The term of appointment of our compliance adviser will commence on the Listing Date and will end on the date of despatch of our annual report in respect of our financial results for the second full financial year commencing after the Listing Date. Such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following persons were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote at general meetings of our Company:

	Number of Shares directly or indirectly held <i>(Note 1)</i>	Approximately percentage of shareholding in our Company (%)
BVI-Cheung <i>(Note 2)</i>	6,800,000	68%
Ms. Idy Cheung <i>(Note 2)</i>	6,800,000	68%
BVI-Lam <i>(Note 3)</i>	1,700,000	17%
Ms. Grace Lam <i>(Note 3)</i>	1,700,000	17%
BVI-Ching <i>(Note 4)</i>	1,500,000	15%
Mr. Ramond Ching <i>(Note 4)</i>	1,500,000	15%

Notes:

1. As at the Latest Practicable Date, our Company had 10 million Shares in issue.
2. The entire issued share capital in BVI-Cheung is solely owned by Ms. Idy Cheung.
3. The entire issued share capital in BVI-Lam is solely owned by Ms. Grace Lam.
4. The entire issued share capital in BVI-Ching is solely owned by Mr. Ramond Ching.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Immediately after completion of the Placing and Capitalisation Issue		Capacity/Nature of interest
	Number of Shares	Approximate percentage of shareholding	
BVI-Cheung ⁽²⁾	204,000,000(L)	51%	Beneficial owner
Ms. Idy Cheung ⁽²⁾	204,000,000(L)	51%	Interest in a controlled corporation
Mr. Lam Andrew Hung Yun ⁽²⁾	204,000,000(L)	51%	Interest of spouse (spouse of Ms. Idy Cheung)
BVI-Lam ⁽³⁾	51,000,000(L)	12.75%	Beneficial owner
Ms. Grace Lam ⁽³⁾	51,000,000(L)	12.75%	Interest in a controlled corporation
Mr. Lee Ben ⁽³⁾	51,000,000(L)	12.75%	Interest of spouse (spouse of Ms. Grace Lam)
BVI-Ching ⁽⁴⁾	45,000,000(L)	11.25%	Beneficial owner
Mr. Ramond Ching ⁽⁴⁾	45,000,000(L)	11.25%	Interest in a controlled corporation

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) The entire issued share capital in BVI-Cheung is solely owned by Ms. Idy Cheung. The spouse of Ms. Idy Cheung is Mr. Lam Andrew Hung Yun, and he is deemed to be interested in such 204,000,000 Shares by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS

- (3) The entire issued share capital of BVI-Lam is solely owned by Ms. Grace Lam. The spouse of Ms. Grace Lam is Mr. Lee Ben, and he is deemed to be interested in such 51,000,000 Shares by virtue of the SFO.
- (4) The entire issued share capital of BVI-Ching is solely owned by Mr. Ramond Ching. Under the SFO, Mr. Ramond Ching is deemed to be interested in 45,000,000 Shares registered in the name of BVI-Ching.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

None of our Substantial Shareholders (including the three executive Directors namely Ms. Idy Cheung, Ms. Grace Lam and Mr. Ramond Ching) or their respective close associates is engaged in, or interested in any business or interest (other than that of our Group) which, directly or indirectly, competes or may compete with our business, or has or may have any conflict of interests with our Group.

UNDERTAKINGS

Each of the Controlling Shareholders has given certain undertakings in respect of the Shares held by them to our Company, the Sponsor, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Stock Exchange. Our Controlling Shareholders have also given undertakings to our Company and the Stock Exchange as required by Rule 13.19 of the GEM Listing Rules and are bound by the non-disposal restrictions as imposed by Rule 13.19 of the GEM Listing Rules. Further details of such undertakings are set out under the paragraph headed “Underwriting — Undertakings pursuant to the Underwriting Agreement” in this prospectus.

SHARE CAPITAL

SHARE CAPITAL

The following is a summary of the authorised and issued share capital of our Company as at the date of this prospectus and immediately after completion of the Placing and the Capitalisation Issue:

<u>Number</u>	<u>Aggregate par values (HK\$)</u>
<i>Authorised share capital:</i>	
4,000,000,000 Shares	40,000,000
<i>Issued and to be issued, fully paid or credited as fully paid:</i>	
10,000,000 Shares in issue at the date of this prospectus	100,000
290,000,000 Shares to be issued pursuant to the Capitalisation Issue	2,900,000
<u>100,000,000 Shares to be issued under the Placing</u>	<u>1,000,000</u>
Total: <u>400,000,000 Shares (Note)</u>	<u>4,000,000</u>

Assumptions

The above table assumes the Placing and the Capitalisation Issue become unconditional and the issue of Shares pursuant thereto are made as described above. It does not take into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

SHARE CAPITAL

RANKING

The Placing Shares and the Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus, except for entitlement under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. See the paragraph headed “Appendix V Statutory and General Information — 4. Share Option Scheme” in this prospectus for the summary of the principal terms of the Share Option Scheme.

ISSUING MANDATE

Subject to the Placing becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal in unissued Shares with an aggregate nominal value of not exceeding the sum of:

- (i) 20% of the aggregate nominal value of our share capital in issue immediately following completion of the Placing and the Capitalisation Issue, but excluding any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme; and
- (ii) the aggregate nominal amount of our share capital repurchased by our Company (if any) pursuant to the Repurchase Mandate (as mentioned below).

The Issuing Mandate does not apply to situations where our Directors allot, issue or deal in Shares by way of a rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares, or pursuant to the exercise of any options that may be granted under the Share Option Scheme, or under the Placing or the Capitalisation Issue. Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in Shares pursuant to a rights issue, the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or the exercise of any options that may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

SHARE CAPITAL

The Issuing Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or any applicable laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of the Issuing mandate, see the paragraph headed “Appendix V Statutory and General Information — 1.3 Resolutions in writing of our Shareholders passed on 28 January 2015” in this prospectus.

REPURCHASE MANDATE

Subject to the Placing becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total nominal amount of the our share capital in issue immediately following completion of the Placing and the Capitalisation Issue, but excluding any Shares that may be issued upon the exercise of any option that may be granted under the Share Option Scheme. The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the GEM Listing Rules. Please see the paragraph headed “Appendix V Statutory and General Information — 1.7 Repurchases by our Company of our own securities” in this prospectus for the summary of the relevant requirements under the GEM Listing Rules.

The Repurchase Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or any applicable laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of the Repurchase Mandate, see the paragraph headed “Appendix V Statutory and General Information — 1.3 Resolutions in writing of our Shareholders passed on 28 January 2015” in this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Articles, the Company may from time to time by ordinary resolution of shareholders, among other things, (i) increase its share capital; (ii) consolidate or divide its share capital into shares of larger or smaller amount; (iii) divide its shares into several classes; (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled; (v) sub-divide its shares or any of them into shares of smaller amount; (vi) change the currency of denomination of its share capital and (vii) make provision for the issue and allotment of shares which do not carry any voting rights. In addition, the Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. For details, please refer to the paragraph headed “2. Articles of Association — (c) Alterations of capital” in Appendix IV to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum of Association and the Articles, if at any time the capital of the Company is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. For details, please refer to the paragraph headed “2. Articles of Association — (d) Variation of rights of existing shares or classes of shares” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with the audited combined financial statements of our Company for the two financial years ended 30 June 2014 and three months ended 30 September 2014, together with related notes thereto. The combined financial statements of our Company have been prepared in accordance with HKFRSs, which differ in certain significant respects from generally accepted accounting principles in certain other countries. For further information, see “Appendix I — Accountants’ Report”. Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in the section headed “Risk factors” in this prospectus.

OVERVIEW

We specialise in the manufacture and sale of private label leather garments for our customers on an original equipment manufacturer basis. During the Track Record Period, our major customers are mostly fashion brands. We have an operation history of more than 20 years in the leather garment industry, and we pride ourselves on our possession of in-depth knowledge in the production process of leather garment products. Headquartered in Hong Kong, we operate one manufacturing base (namely, the Foshan Factory), which is located in Foshan, Guangdong Province, the PRC.

We strategically focus on:

- customers who include international and regional fashion brands, most of whom offer a broad spectrum of apparel and accessories under their own brands, and leather apparel forms only a minor portion of their product portfolio;
- offering our customers not only with our manufacturing services to produce leather apparel products, but also a range of ancillary pre-production product development services and post-production logistical services; and
- providing flexibility in the production scale for each purchase order by our customers, aiming to cater for their business needs and requirements in each case.

Our revenue, which principally represented the income derived from the sales of leather garment products and accessories, was approximately HK\$53.6 million, HK\$80.6 million and HK\$22.2 million for each of the two years ended 30 June 2014 and three months ended 30 September 2014, respectively. During the Track Record Period, United States, Australia and Hong Kong were our major markets with reference to the destination of our product delivery as stipulated

FINANCIAL INFORMATION

in our customers' purchase orders, which in aggregate accounted for over 75% of our revenue during the Track Record Period. In respect of our products delivered to our customers in Hong Kong, our Directors believe that some of our customers have subsequently delivered or sold these products to other places in the world.

Our net profit attributable to our equity holders was approximately HK\$7.1 million, HK\$12.9 million and HK\$1.3 million for each of the two years ended 30 June 2014 and three months ended 30 September 2014, respectively. However, for the six months ended 31 December 2014, it is estimated that our Group will make a loss of no more than HK\$5 million as a result of the Listing expenses and other factors as mentioned in the section headed "Summary — Material adverse change".

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Ability of our Group to stay competitive in the market

We provide our customers not only with our manufacturing services to produce leather apparel products, but also a wide range of ancillary pre-production product development services and post-production logistical services. The sustainability of our revenue and net profit will depend upon our ability to remain competitive in providing our manufacturing services and the ancillary pre-production product development services and post-production logistical services.

Customers' preference

Our major products are leather garment products and most of our major customers are headquartered in the United States and Australia with retail operations in different countries. The consumers' preference, consumer spending level and general economic conditions in the countries in which our products are sold have a material effect on our Group's business and profitability.

Depending on factors like consumer preference, market trend, our customers' fashion style for a particular season, the demand and product portfolio of our customers on leather garment may fluctuate significantly.

Quality of our products

Our major customers include international and well-known fashion brand owners who normally have a network of manufacturers. Although we have stringent quality control policies from raw material procurement to packing, if our customers are not satisfied with the quality of our products, our future orders and our results would be adversely affected.

FINANCIAL INFORMATION

Raw materials and ability to transfer changes in raw material cost to our customers

Our cost of raw materials represented the largest component of our cost of goods sold during the Track Record Period. Leather is our most important raw material. As we have not entered into any long term supply contract with any of our leather suppliers in order to enhance flexibility and reduce reliance on certain suppliers, any material increase in or fluctuation of the market price of leather which we are unable to transfer to our customers, our results may be materially affected.

BASIS OF PRESENTATION

Our audited combined financial information set forth in Appendix I to this prospectus has been prepared in accordance with HKFRSs under the historical cost convention.

Immediately prior to and after the Reorganisation, our principal business remained under the control of the Individual Owners. Our principal business is conducted through Perline including its subsidiary, Foshan Shengli. Perline was directly owned by the Individual Owners previously. The Company has not been involved in any business prior to the Reorganisation. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Track Record Period on 4 December 2014. The Reorganisation were merely reorganisations of our principal business with no change in management of such business and the ultimate owners of the business. Accordingly, the financial information of the Group has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The combined statement of profit or loss, combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the Track Record Period include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control, where this is a shorter period. The combined statement of financial position of the Group's subsidiaries as at 30 June 2013 and 2014 and 30 September 2014 have been prepared to present the assets and liabilities of the subsidiaries using the existing carrying values of the principal business of the Group for the Track Record Period presented. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation in full.

For more information on the basis of presentation of our financial information included herein, see Note 2.1 of the Accountants' Report included in Appendix I to this prospectus.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements have been prepared in accordance with the HKFRSs. The accounting policies and critical accounting estimates and judgments are set out in notes 4 and 6 to the Accountants' Report contained in Appendix I to this prospectus. The following paragraphs discuss those that are most critical in preparing our financial statements.

Accounting policies

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, after allowances for returns. We recognise revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of our activities, as described below.

Revenue from the sales of goods is recognised when the risk and reward of the goods has been transferred to the customer, which is usually when we have delivered the products to the customer, the collectability of the related receivables is reasonably assumed and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to us and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Financial assets

We classify our financial assets under the category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. Our loans and receivables comprise trade receivables, deposits and other receivables and cash and cash equivalents in the combined statement of financial position.

FINANCIAL INFORMATION

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which we commit to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and we have transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets

We assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, we may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the combined statement of profit or loss.

FINANCIAL INFORMATION

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Accounting estimates

Impairment of trade and other receivables

Our management estimates the provision of impairment of trade and other receivables by assessing their recoverability. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivables and impairment charge in the period in which such estimate has been changed.

During the Track Record Period, we had written off bad debt of approximately HK\$0.1 million and had not reversed the written off of such bad debt, and no other impairment of trade and other receivables had been made.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth our combined statement of profit or loss and other selected financial information for the two years ended 30 June 2014 and three months ended 30 September 2014 as extracted from the Accountants' Report set out in Appendix I to this prospectus.

	For the year ended 30 June		For the three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Revenue	53,607	80,586	25,804	22,244
Cost of goods sold	<u>(34,700)</u>	<u>(53,217)</u>	<u>(17,252)</u>	<u>(12,340)</u>
Gross profit	18,907	27,369	8,552	9,904
Other revenue and other income	139	110	3	2
Selling and distribution expenses	(1,899)	(2,478)	(911)	(735)
General and administrative expenses	(8,398)	(9,295)	(2,302)	(6,613)
Finance costs	<u>(10)</u>	<u>(14)</u>	<u>(14)</u>	<u>(12)</u>
Profit before taxation	8,739	15,692	5,328	2,546
Income tax expense	<u>(1,611)</u>	<u>(2,796)</u>	<u>(918)</u>	<u>(1,224)</u>
Profit for the year/period attributable to owners of the Company	<u><u>7,128</u></u>	<u><u>12,896</u></u>	<u><u>4,410</u></u>	<u><u>1,322</u></u>

Revenue

We produce all the leather garment products according to our customers' specifications and under their brands or labels. We believe that our customers' orders, including the types, specification and design of the products, were made based on consumer preference, market trend, seasonality and their fashion style for a particular season, and we discuss the price of each order with our customers with reference to the cost of sales such as the cost of raw materials, labour costs, the size of the order, the complexity of the product design and the manufacturing process, the packaging and transportation costs, the customer's relationship with our Group, the customer's approximate retail price of the products, and mark-up.

All of our revenue is derived from the sale of leather products, which principally comprising leather garment products, during the Track Record Period. Our leather garment products include (i) for women: jacket and coat, pants, shirt, top and vest, dress and shorts; and (ii) for men: jacket and coat, pants, blazer and vest. Such leather garment products accounted for over 96% of our revenue during the Track Record Period, and among our leather garment products, (i) women's leather garment accounted for about 59.4%, 65.8% and 46.0% ; and (ii) jackets and coats (for both women and men in aggregate) accounted for about 73.3%, 66.5% and 86.6% of our revenue derived from

FINANCIAL INFORMATION

our leather garment products for the two years ended 30 June 2014 and three months ended 30 September 2014, respectively. Set out below is the breakdown of our leather products by type (including the quantity and average prices of our leather garment products) during the Track Record Period:

	For the year ended 30 June					
	2013			2014		
	Quantity	Average selling price	Subtotal	Quantity	Average selling price	Subtotal
	Units	HK\$ (Note 1)	HK\$'000	Units	HK\$ (Note 1)	HK\$'000
Women						
— Jacket and coat	15,276	1,323	20,203	18,973	1,450	27,518
— Pants	2,942	1,460	4,295	4,512	1,606	7,246
— Skirt	3,678	827	3,042	6,206	1,043	6,471
— Top and vest	1,489	899	1,339	5,601	939	5,260
— Others (Note 2)	<u>1,957</u>	<u>920</u>	<u>1,800</u>	<u>4,468</u>	<u>1,104</u>	<u>4,933</u>
	25,342	1,211	30,679	39,760	1,293	51,428
Men						
— Jacket and coat	12,941	1,365	17,660	15,569	1,570	24,442
— Others (Note 2)	<u>2,505</u>	<u>1,316</u>	<u>3,297</u>	<u>1,850</u>	<u>1,224</u>	<u>2,264</u>
	15,446	1,357	20,957	17,419	1,533	26,706
Subtotal of leather garment products	40,788	1,266	51,636	57,179	1,366	78,134
Other leather and accessories			<u>1,971</u>			<u>2,452</u>
Total	<u>40,788</u>		<u>53,607</u>	<u>57,179</u>		<u>80,586</u>

FINANCIAL INFORMATION

For the three months ended 30 September						
2013			2014			
Quantity	Average selling price	Subtotal	Quantity	Average selling price	Subtotal	
Units	HK\$ (Note 1)	HK\$'000	Units	HK\$ (Note 1)	HK\$'000	
Women						
— Jacket and coat	4,369	1,577	6,889	6,974	1,131	7,891
— Pants	1,609	1,495	2,405	109	1,669	182
— Skirt	1,187	1,083	1,286	1,110	796	884
— Top and vest	91	2,736	249	426	1,540	656
— Others (Note 2)	3,691	882	3,257	664	949	630
	10,947	1,287	14,086	9,283	1,103	10,243
Men						
— Jacket and coat	6,481	1,624	10,528	6,340	1,795	11,379
— Others (Note 2)	965	1,233	1,190	491	1,136	558
	7,446	1,574	11,718	6,831	1,747	11,937
Subtotal of leather garment products	18,393	1,403	25,804	16,114	1,376	22,180
Other leather and accessories						64
Total	18,393	25,804	16,114			22,244

Notes:

1. The average selling price represented the selling price of our products to our customers and not the retail price of our products sold by our customers.
2. During the Track Record Period, other products for women included dress and shorts, and other products for men included pants, blazer and vest.

Major product types

Jackets and coats are the major leather garments manufactured by us during the Track Record Period. For women's leather jackets and coats, the sales of which accounted for approximately 37.7%, 34.1% and 35.5% of our total revenue for the two years ended 30 June 2014 and three months ended 30 September 2014, respectively, and the average selling price of which was approximately HK\$1,323 per unit, HK\$1,450 per unit and HK\$1,131 per unit for the two years ended 30 June 2014 and three months ended 30 September 2014, respectively. For men, the sales of

FINANCIAL INFORMATION

leather jackets and coats accounted for approximately 32.9%, 30.3% and 51.2% of our total revenue for the two years ended 30 June 2014 and three months ended 30 September 2014, respectively, the average selling price of which was approximately HK\$1,365 per unit, HK\$1,570 per unit and HK\$1,795 per unit for the two years ended 30 June 2014 and three months ended 30 September 2014, respectively.

Apart from jackets and coats, our leather garment products include pants, skirt, dress, shorts, blazer, top and vest. The revenue of such leather garments accounted for approximately 25.7%, 32.6% and 13.0% of our total revenue for the two years ended 30 June 2014 and three months ended 30 September 2014, respectively. The remaining revenue generated by us during the Track Record Period represents the sales of other leather items and accessories, which accounted for approximately 3.7%, 3.0% and 0.3% of our total revenue for the two years ended 30 June 2014 and three months ended 30 September 2014, respectively.

During the Track Record Period, most of our major customers (which include international and well-known fashion brand owners) offer both men and women apparel series. Our revenue generated from the sale of women and men leather garment products accounted for approximately 57.2% and 39.1%, and approximately 63.8% and 33.1%, and approximately 46.0% and 53.7%, respectively, for the two years ended 30 June 2014 and three months ended 30 September 2014. The split between our women's and men's leather garment products was determined by the orders from our customers.

FINANCIAL INFORMATION

Geographical coverage

During the Track Record Period, the United States, Australia and Hong Kong were our major markets (with reference to the destination of our product delivery as stipulated in our customers' purchase orders), which in aggregate contributed to over 75% of our revenue during the Track Record Period. Nevertheless, depending on our customers' sales network and needs, our products may be further forwarded to other countries by our customers. The following table illustrates the breakdown of our revenue during the Track Record Period (with reference to the destination of our product delivery as stipulated in our customers' purchase orders):

	For the year ended 30 June				For the three months ended 30 September			
	2013		2014		2013		2014	
	Percentage		Percentage		Percentage		Percentage	
	Revenue	of total	Revenue	of total	Revenue	of total	Revenue	of total
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<i>(Unaudited)</i>								
United States	17,282	32.2	36,670	45.5	13,651	52.9	10,755	48.4
Hong Kong	15,378	28.7	13,424	16.7	3,118	12.1	4,010	18.0
Australia	14,333	26.7	14,713	18.2	1,203	4.7	2,064	9.3
Japan	1,213	2.3	2,627	3.3	1,764	6.8	1,967	8.8
Malaysia	2,224	4.2	4,420	5.5	3,344	13.0	1,246	5.6
South Africa	—	—	466	0.6	—	—	821	3.7
Netherlands	2,204	4.1	6,477	8.0	1,840	7.1	776	3.5
Others (<i>Note</i>)	973	1.8	1,789	2.2	884	3.4	605	2.7
Total	53,607	100.0	80,586	100.0	25,804	100.0	22,244	100.0

Note: During the Track Record Period, other countries included the PRC, Canada, Switzerland, United Kingdom, Italy, South Korea, Mexico, Germany, Singapore, New Zealand and Cambodia.

Most of our five largest customers during the Track Record Period are headquartered in the United States or Australia with retail operations in different countries. Foreseeing the growing in demand for quality leather garment products with international design and style in the PRC, we plan to devote more resources in exploring the PRC market and PRC based customers. On the other hand, we will continue to devote resources in product development and marketing with a view to enhancing our capacity in competing in the market, securing orders from our existing customers and to broaden our customer base.

FINANCIAL INFORMATION

Cost of goods sold

The following table illustrates the breakdown of our cost of sales during the Track Record Period:

	For the year ended 30 June				For the three months ended 30 September			
	2013		2014		2013		2014	
	Percentage of total		Percentage of total		Percentage of total		Percentage of total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(Unaudited)</i>							
Raw materials								
— Leather	24,538	70.7	39,204	73.7	11,872	68.8	9,569	77.5
— Other raw materials	4,204	12.1	6,393	12.0	3,146	18.2	948	7.7
Labour costs	5,173	14.9	6,679	12.5	1,942	11.3	1,578	12.8
Manufacturing overhead	785	2.3	941	1.8	292	1.7	245	2.0
Total	34,700	100.0	53,217	100.0	17,252	100.0	12,340	100.0

During the Track Record Period, raw material costs accounted for over 80% of our cost of goods sold and leather was our major raw material and accounted for approximately 70.7%, 73.7% and 77.5% of our cost of goods sold, respectively. Our leather raw materials used are usually animal hides and skins from lambs, sheep, goats, cows and pigs. As we manufacture our leather garment products on a made-to-order basis, and we adopt a cost-plus pricing model, leather cost has always been one of the key factors in the price determination of each of our products. During the Track Record Period, the majority of our leather raw materials purchased were sheepskin, goatskin, lambskin and lambswool shearling. Other raw materials mainly include zippers, fabrics, lining, padding, shoulder pads, buckles, buttons, labels and sewing threads.

We did not record impairment of inventories during each of the two years ended 30 June 2014 and three months ended 30 September 2014 as we manufacture leather garments primarily on a made-to-order basis, we place order on leather with our suppliers for production only after we have confirmed purchase orders with our customers and we have strict inventory control procedures to minimize the risk of stock damage.

Gross profit

We recorded relatively high gross profit margins of approximately 35.3%, 34.0% and 44.5% for each of the two years ended 30 June 2013 and 2014 and the three months ended 30 September 2014, respectively.

Our Directors believe that our ability to record such high gross profit margin during the Track Record Period is attributable to a number of reasons. In terms of customer base, our target customers include international and regional fashion brands, which offer a broad spectrum of apparel and accessories under their own brands. We believe these customers, who are not

specialised in offering leather apparel products, will rely on their approved leather manufacturers to provide certain product development supports to them. Our Directors believe that we have earned our reputation and compete favourably with our competitors as we possess skilled and experienced workers, especially sewing workers and cutter workers who can produce products which conform to our customers' stringent product design specifications and aesthetic requirements. Unlike other manufacturers who purely produce garments on original equipment manufacturer basis, we also offer a range of ancillary pre-production product development services to certain of our international and regional fashion brand customers at the early stage of their pre-production product development, including sharing with them market intelligence on leather fashion trend and production knowhow, providing samples of leather and offering recommendations to our customers on raw material selection, and giving suggestions to assist our customers in finetuning or adjusting their original designs so as to improve the efficiency of the production process. In addition, two of our Directors, namely Ms. Grace Lam and Mr. Ramond Ching, have indepth knowledge in leather and extensive experience in the leather garment manufacturing industry. They contribute to providing pre-production product development services to some of our customers and we believe that their experience in sourcing, manufacturing or marketing in the leather garment manufacturing industry is highly valued by our customers. We have also been maintaining good business relationships with our customers and suppliers. We believe that these international and regional fashion brands customers highly appreciate our craftsmanship, dedication in the value-added pre-production product development services and experience in the leather garment manufacturing industry and they are willing to pay higher prices for our products. Furthermore, we can effectively manage our risk as to fluctuations in the raw material price and are generally able to pass on any increases in the cost of raw materials to our customers. Thus, any increases in the cost of raw materials would not have material effect on our gross profit margin. Please refer to the paragraph headed "Business — Raw materials — Fluctuations in cost of raw materials" for further information.

Other revenue and other income

Our other revenue and other income during the Track Record Period principally represented sundry incomes which are incidental to our business principally including insurance and compensation, and exchange differences.

FINANCIAL INFORMATION

Selling and distribution expenses

The following table sets forth a breakdown of our selling and distribution expenses during the Track Record Period:

	For the year ended 30 June				For the three months ended 30 September			
	2013		2014		2013		2014	
	Percentage of total		Percentage of total		Percentage of total		Percentage of total	
	HK\$'000	%	HK\$'000	%	HK\$'000 (Unaudited)	%	HK\$'000	%
Logistics expenses	1,100	57.9	1,556	62.8	560	61.5	411	55.9
Marketing expenses	799	42.1	922	37.2	351	38.5	324	44.1
Total	1,899	100.0	2,478	100.0	911	100.0	735	100.0

Our selling and distribution expenses principally represented logistics expenses in relation to our products, which accounted for 57.9%, 62.8% and 55.9% of the total selling and distribution expenses for each of the two years ended 30 June 2014 and three months ended 30 September 2014, respectively, and our marketing expenses accounted for the remaining approximately 42.1%, 37.2% and 44.1% of the selling and distribution expenses for the two years ended 30 June 2014 and three months ended 30 September 2014, respectively.

General and administrative expenses

The following table sets forth a breakdown of our general and administrative expenses during the Track Record Period:

	For the year ended 30 June				For the three months ended 30 September			
	2013		2014		2013		2014	
	Percentage of total		Percentage of total		Percentage of total		Percentage of total	
	HK\$'000	%	HK\$'000	%	HK\$'000 (Unaudited)	%	HK\$'000	%
Staff costs and benefits	6,433	76.6	6,905	74.3	1,794	78.0	1,671	25.3
Office expenses and utilities	1,017	12.1	1,359	14.6	218	9.5	291	4.4
Rent and rates	319	3.8	459	4.9	100	4.3	140	2.1
Bank charges	310	3.7	379	4.1	134	5.8	137	2.1
Other expenses	319	3.8	193	2.1	56	2.4	144	2.1
Listing expenses	—	—	—	—	—	—	4,230	64.0
Total	8,398	100.0	9,295	100.0	2,302	100.0	6,613	100.0

FINANCIAL INFORMATION

Our general and administrative expenses principally represented staff costs and benefits, and office expenses and utilities and Listing expenses during the Track Record Period. Our staff costs and benefits accounted for approximately 76.6%, 74.3% and 25.3% of our general and administrative expenses, and our office expenses and utilities accounted for approximately 12.1%, 14.6% and 4.4% of our general and administrative expenses and our Listing expenses, which is non-recurring in nature, accounted for nil, nil and approximately 64% of our general and administrative expenses for the two years ended 30 June 2014 and three months ended 30 September 2014, respectively.

Finance costs

Our finance costs represented the interests in relation to our trust receipt loans for the purchase of raw materials.

Income tax expense

Our income tax expense comprises both Hong Kong profits tax and PRC Enterprise Income Tax.

Net profit

Our net profit principally represented the net profit from our business operation and we did not record extraordinary gain or loss during the Track Record Period. We recorded net profits attributable to equity holders of the Company of approximately HK\$7.1 million, HK\$12.9 million and HK\$1.3 million for the years ended 30 June 2013 and 2014 and three months ended 30 September 2014, respectively.

Review of historical operating results

Three months ended 30 September 2014 compared to three months ended 30 September 2013

Revenue

Our revenue derived from the sales of leather products decreased by approximately HK\$3.6 million, or approximately 13.8%, from approximately HK\$25.8 million for the three months ended 30 September 2013 to approximately HK\$22.2 million for the three months ended 30 September 2014. The decrease was primarily due to a considerable drop in orders placed by three of our top five customers of the year ended 30 June 2014 (being Customer A, Customer B and Customer D), which have reduced their purchase orders placed with us by approximately 56% to 63%, in terms of sales value when compared with their respective purchase value in the corresponding three months ended 30 September 2013. The principal reason for the considerable drop in their sales value is the fall in the number of units of leather apparel ordered.

Our Directors believe that the decrease in sales orders from these customers are attributable to a number of factors, such as changes in their business strategies or plans, business needs or their direction of product emphasis. Also, these customers do not have any long-term purchase

FINANCIAL INFORMATION

commitments with us which resulted in uncertainty of the volume of purchaser orders which our customers may place with us from time to time. Meanwhile, the average selling price of our leather garment products slightly decreased from approximately HK\$1,403 per unit for the three months ended 30 September 2013 to approximately HK\$1,376 per unit for the three months ended 30 September 2014. In terms of leather garment product categories, the decrease in revenue for the three months ended 30 September 2014 was mainly contributed as to approximately HK\$2.2 million, and HK\$2.6 million, by women's leather pants and women's other leather garment products, respectively, and partially offset by the increase in revenue derived from men's and women's leather jacket and coat of approximately HK\$1.9 million in aggregate.

Gross profit and gross profit margin

Although we recorded a decrease in revenue of approximately 13.8%, we recorded improvement in our gross profit of approximately 15.8% from approximately HK\$8.6 million to HK\$9.9 million. The increase was principally attributable to the improvement in our gross profit margin from approximately 33.1% to approximately 44.5%. The increase in gross profit margin was mainly attributable to the fact that some of the products manufactured and sold by us for the three months ended 30 September 2014 were of more sophisticated designs or materials which required more complex craftsmanship and more men's leather garment products, which generally have a relatively higher gross profit margin as compared to women's leather garment products, were manufactured and sold. Our Directors believe that products with more sophisticated designs or materials which require more complex craftsmanship could usually command a higher profit margin as more complicated production process will be involved.

FINANCIAL INFORMATION

Set out below is the breakdown of our gross profit by our products during the three months ended 30 September 2013 and 2014:

	For the three months ended 30 September			
	2013		2014	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%
Women				
— Jacket and coat	2,309	33.5	3,475	44.0
— Pants	563	23.4	61	33.6
— Skirt	413	32.1	415	46.9
— Top and vest	61	24.6	331	50.5
— Others (<i>Note</i>)	<u>1,398</u>	42.9	<u>212</u>	33.5
	4,744	24.6	4,494	43.9
Men				
— Jacket and coat	3,409	32.4	5,182	45.5
— Others (<i>Note</i>)	<u>399</u>	33.5	<u>176</u>	31.4
	3,808	32.5	5,358	44.8
Subtotal of leather garment products	8,552	33.1	9,852	44.4
Other leather and accessories	<u>—</u>	—	<u>52</u>	81.2
Total	<u><u>8,552</u></u>	33.1	<u><u>9,904</u></u>	44.5

Note: During each of the three months ended 30 September 2013 and 2014, other products for women included dress and shorts, and other products for men included pants, blazer and vest.

We recorded decrease in cost of goods sold of approximately HK\$4.9 million, or approximately 28.5%, as compared to the decrease of revenue of approximately HK\$3.6 million, or approximately 13.8%. The decrease in cost of goods sold for the three months ended 30 September 2014 was mainly due to (i) the decrease in quantity of our leather garment products sold; (ii) decrease in cost of materials used by approximately HK\$4.5 million mainly due to the decrease in average purchase price for sheep skin used; and (iii) fewer accessories were used in the manufacturing process for the three months ended 30 September 2014 since we received more orders for men's jacket and coat (which is general, more simple in design), as compared to the corresponding period in 2013 when we produced more women's leather garment products.

FINANCIAL INFORMATION

In terms of product series, the growth in our gross profit was mainly driven by our men's leather garment products, which increased from approximately HK\$3.8 million to HK\$5.4 million, representing an increase of approximately 40.7%, which was principally driven by the higher profit margin derived from men's leather jacket and coat. Our gross profit margins differ across different products depending on, among other things, complexity of craftsmanship, design and types of leather, and we generally negotiate the pricing of our products with our customers for each order.

Other revenue and other income

Our other revenue and other income slightly decreased from approximately HK\$3,000 for the three months ended 30 September 2013 to approximately HK\$2,000 for the three months ended 30 September 2014.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 19.3% from approximately HK\$911,000 for the three months ended 30 September 2013 to approximately HK\$735,000 for the three months ended 30 September 2014. The decrease in selling and distribution expenses was principally attributable to the decrease in logistic expenses in relation to our products as the quantity of our leather garment products sold decreased by approximately 12.4% from 18,393 units for the three months ended 30 September 2013 to 16,114 units for the three months ended 30 September 2014.

General and administrative expenses

Our general and administrative expenses increased by approximately 187.3% from approximately HK\$2.3 million for the three months ended 30 September 2013 to approximately HK\$6.6 million for the three months ended 30 September 2014. The increase in general and administrative expenses was principally attributable to the non-recurring Listing expenses of approximately HK\$4.2 million incurred during the three months ended 30 September 2014.

Finance costs

Our finance costs decreased from approximately HK\$14,000 for the three months ended 30 September 2013 to approximately HK\$12,000 for the three months ended 30 September 2014 which was mainly resulted from our trust receipt loans utilised for the purchase of raw materials.

Income tax expense

We are carrying on our business in Hong Kong and the PRC and are subject to Hong Kong Profits Tax and PRC Enterprise Income Tax in respect of its profits arising in or derived from Hong Kong and the PRC from such business.

FINANCIAL INFORMATION

Hong Kong Profits Tax has been provided for at the rate of 16.5% for each of the three months ended 30 September 2013 and 2014 on the estimated assessable profits arising in or derived from Hong Kong. The subsidiary in the PRC is subject to PRC Enterprise Income Tax at the rate of 25% for each of the three months ended 30 September 2013 and 2014.

Our income tax expense for the three months ended 30 September 2014 increased by approximately 33.3% from approximately HK\$0.9 million to approximately HK\$1.2 million. The increase was mainly attributable to the increase in our assessable income which is in line with our result before the Listing expenses as most of our Listing expenses incurred were non-tax deductible for the purpose of arriving at the assessable income in Hong Kong.

Net profit

Our net profit attributable to equity holders of the Company recorded a decrease of approximately 70.0% and the net profit margin decreased from approximately 17.1% to 6.0%. Although our gross profit margin increased from approximately 33.1% to approximately 44.5%, we recorded a decrease in net profit margin as we have incurred Listing expenses of approximately HK\$4.2 million during the three months ended 30 September 2014, equivalent to approximately 19.0% of our revenue recorded during the period. Our decrease in net profit was principally due to the recognition of Listing expenses of approximately HK\$4.2 million for the three months ended 30 September 2014 which was partially offset by the improvement in our gross profit recorded of approximately HK\$1.4 million.

Year ended 30 June 2014 compared to year ended 30 June 2013

Revenue

Our revenue derived from the sales of leather products increased by approximately HK\$27.0 million, or approximately 50.3%, from approximately HK\$53.6 million for the year ended 30 June 2013 to approximately HK\$80.6 million for the year ended 30 June 2014. The increase was mainly due to the increase in quantity of our leather garment products sold by approximately 40.2% and the increase in average selling price of our leather garment products by about 7.9%. Of the HK\$27.0 million increase in revenue for the year ended 30 June 2014, approximately HK\$9.5 million, HK\$8.5 million and HK\$5.8 million were contributed by the increase in our sales to Customer B, Customer A and Customer C, respectively. In terms of leather garment product categories, the increase in revenue for the year ended 30 June 2014 was mainly contributed as to approximately HK\$7.3 million (or approximately 27.0%), and HK\$6.8 million (or approximately 25.2%), by women's leather jackets and coats and men's leather jackets and coats, respectively. Leather jackets and coats were the major leather garment products sold by us during the Track Record Period.

Meanwhile, the general increase in orders of our leather garment products was considered to be the recognition of our marketing effort, and the good and reliable quality of our deliverables by our existing customers, and the expansion of our customer base. The increase in average selling price was mainly attributable to the increase in complexity of designs of our customers for which

FINANCIAL INFORMATION

more meticulous craftsmanship is required, and our bargaining power in price negotiation was enhanced when we offer such customers various pre-production product development services, including but not limited to sharing with our customers market intelligence on leather fashion trend and production knowhow, providing recommendations to our customers on raw material selection, giving suggestions to assist our customers in finetuning or adjusting their original designs, producing and revising mock-up products for our customers' consideration before they place purchase orders with us, for which our customers are willing to accept higher unit prices, which, on the other hand, illustrated our ability to transfer the increase in our production costs to our customers.

Gross profit and gross profit margin

Our gross profit increased by approximately 44.8% from approximately HK\$18.9 million to HK\$27.4 million. The increase was in line with the increase in our revenue as we were able to maintain our overall gross profit margin at over 30% at each of the two financial year ended 30 June 2014. Set out below is the breakdown of our gross profit by our products during each of the two years ended 30 June 2014:

	For the year ended 30 June			
	2013		2014	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	Approximate %	HK\$'000	Approximate %
Women				
— Jacket and coat	7,339	36.3	9,252	33.6
— Pants	961	22.4	1,828	25.2
— Skirt	880	28.9	2,094	32.4
— Top and vest	513	38.4	2,010	38.2
— Others (<i>Note</i>)	654	36.3	2,337	47.4
	10,347	33.7	17,521	34.2
Men				
— Jacket and coat	6,673	37.8	8,455	34.6
— Others (<i>Note</i>)	1,391	42.2	769	33.9
	8,064	38.5	9,224	34.5
Subtotal of leather garment products	18,411	35.7	26,745	34.2
Other leather and accessories	496	25.2	624	25.5
Total	18,907	35.3	27,369	34.0

FINANCIAL INFORMATION

Note: During each of the two years ended 30 June 2014, other products for women included dress and shorts, and other products for men included pants, blazer and vest.

We recorded increase in cost of goods sold of approximately HK\$18.5 million, or approximately 53.4%, as compared to the increase of revenue of approximately HK\$27.0 million, or approximately 50.3%. The increase in cost of goods sold for the year ended 30 June 2014 was mainly due to the increase in cost of raw materials consumed of approximately HK\$16.9 million as a result of (i) the increase in quantity of our leather garment products sold; (ii) and the increase in average cost of our leather garment products, which were generally in line with the increase in our revenue, units of leather garment products sold and the increase in average selling price of our leather garment products for the year ended 30 June 2014 as compared to the year ended 30 June 2013. On the other hand, the increase in the average wages of our production staff also brought an increase in our cost of goods sold by approximately HK\$1.5 million for the year ended 30 June 2014.

In terms of product series, the growth in our gross profit was mainly driven by our women leather garment products, which increased from approximately HK\$10.3 million to HK\$17.5 million, representing an increase of approximately 69.9%, which was in line with the overall increases in orders and average selling prices for women leather garment products.

Our gross profit margins differ across different products depending on, among other things, complexity of craftsmanship, design and types of leather, and we generally negotiate the pricing of our products with our customers for each order. The gross profit margin slightly dropped from approximately 35.3% for the year ended 30 June 2013 to approximately 34.0% for the year ended 30 June 2014. The slight drop in gross profit margin was mainly attributable to the increase in cost of materials of approximately 58.6%, which exceeded the turnover growth of approximately 50.3%, when we experienced increase in average cost of our products and quantities sold.

Other revenue and other income

Our other revenue and other income slightly decreased from approximately HK\$139,000 for the year ended 30 June 2013 to approximately HK\$110,000 when we did not record net exchange gains during the year ended 30 June 2014.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 31.6% from approximately HK\$1.9 million for the year ended 30 June 2013 to approximately HK\$2.5 million for the year ended 30 June 2014. The increase in selling and distribution expenses was principally attributable to the increase in logistic expenses in relation to our products as the quantity of our leather garment products sold increased by approximately 40.2% from 40,788 units for the year ended 30 June 2013 to 57,179 units for the year ended 30 June 2014. On the other hand, as a result of our continuous effort in product development and marketing activities, our marketing expenses also increased by approximately HK\$0.1 million.

FINANCIAL INFORMATION

General and administrative expenses

Our general and administrative expenses increased by approximately 10.7% from approximately HK\$8.4 million for the year ended 30 June 2013 to HK\$9.3 million for the year ended 30 June 2014. The increase in general and administrative expenses was principally due to increase in our staff costs and benefits as a result of the increase in directors' remuneration of approximately HK\$0.6 million.

Finance costs

Our finance costs increased from approximately HK\$10,000 for the year ended 30 June 2013 to approximately HK\$14,000 for the year ended 30 June 2014 which was mainly resulted from our trust receipt loans utilised for the purchase of raw materials.

Income tax expense

We are carrying on our business in Hong Kong and the PRC and are subject to Hong Kong Profits Tax and PRC Enterprise Income Tax in respect of its profits arising in or derived from Hong Kong and the PRC from such business.

Hong Kong Profits Tax has been provided for at the rate of 16.5% for the two years ended 30 June 2014 on the estimated assessable profits arising in or derived from Hong Kong. The subsidiary in the PRC is subject to PRC Enterprise Income Tax at the rate of 25% for the two years ended 30 June 2014.

Our income tax expense for the year ended 30 June 2014 increased by approximately 75.0% from approximately HK\$1.6 million to approximately HK\$2.8 million. The increase was mainly attributable to the increase in our assessable income which is in line with our result.

During the Track Record Period, the Group has paid the relevant tax in accordance with the relevant tax and regulations.

Net profit

Our net profit attributable to equity holders of the Company recorded an increase of approximately 80.9% and the net profit margin increased from approximately 13.3% to 16.0%.

Although our gross profit margin decreased from approximately 35.3% to approximately 34.0%, we still recorded improvement in net profit margin as we have been cautious in monitoring our costs and expenses associated with the expansion in sales with a view to maximizing the return to our shareholders during the Track Record Period. Meanwhile, we also recorded increase in net profit which was mainly due to (i) the increase in our revenue while we still able to maintain an overall gross profit margin of over 30%; and (ii) as a result of our cost control measures, the general and administrative expenses only increased by approximately 10.7% as compared to the

FINANCIAL INFORMATION

increase in revenue of approximately 50.3% for the year ended 30 June 2014, while the improvement in our result was partially offset by the increase in income tax expense as a result of the increase in our assessable income in Hong Kong for the year ended 30 June 2014.

Discussion of major balance sheet components

Inventories

The following table sets forth a breakdown of our inventories as at 30 June 2013 and 2014 and 30 September 2014, respectively:

	As at 30 June				As at 30 September	
	2013		2014		2014	
	Percentage of total		Percentage of total		Percentage of total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Raw materials	3,042	28.3	2,941	35.7	3,446	97.0
Work in progress	7,693	71.7	2,977	36.2	109	3.0
Finished goods	—	—	2,318	28.1	—	—
Total	<u>10,735</u>	<u>100.0</u>	<u>8,236</u>	<u>100.0</u>	<u>3,555</u>	<u>100.0</u>

We manufacture our leather garments primarily on a made-to-order basis and place order on leather with our suppliers for production only after we have confirmed purchase orders with our customers. Our production time, from placing of orders by our customers to the completion of final quality inspection, generally takes about three months, covering the time of approximately two months for order of raw materials and the time of approximately one month for the actual manufacturing process. Our inventory level was also affected by the status and progress of the relevant orders being processed by us as at the respective reporting date.

Our inventory level amounted to approximately HK\$10.7 million as at 30 June 2013, and approximately 71.7% of which was attributable to our work in progress. Our inventory level decreased to approximately HK\$8.2 million as at 30 June 2014, and approximately 36.2% and 28.1% of which was attributable to our work in progress and our finished goods, respectively. The decrease in inventory level was principally due to higher level of inventories were ordered and being processed based on our production schedule as at 30 June 2013, as compared to 30 June 2014, to cater for orders placed with us prior, and goods to be delivered in the months following. Our inventory level decreased to approximately HK\$3.6 million as less inventories were ordered to cater for the goods to be delivered subsequent to September 2014 based on the production schedule as at 30 September 2014.

FINANCIAL INFORMATION

As we usually place orders on leathers only after the order for production is confirmed or placed, we do not maintain material inventory of leathers to cater for future potential orders nor do we keep inventory of finished goods to cater for potential orders. Accordingly, in general, we are not subject to significant inventory obsolescence and we did not record any impairment in inventories during the Track Record Period.

As at 30 September 2014, approximately 92% of our inventories were aged within three months. As at 31 December 2014, 100% of the finished goods and work in progress as at 30 September 2014 were subsequently sold and over 95% of the raw material as at 30 September 2014 were subsequently utilised.

Trade receivables

Trade receivables constitute another major component of our current assets throughout the Track Record Period. Our trade receivables slightly decreased from approximately HK\$10.2 million as at 30 June 2013 to approximately HK\$9.8 million as at 30 June 2014 and further decreased to approximately HK\$6.6 million as at 30 September 2014 as a result of the settlement by our customers before 30 June 2014 and 30 September 2014.

The following table sets out the aging analysis of our trade receivables as at 30 June 2013 and 2014 and 30 September 2014, respectively, based on the relevant invoice dates:

	As at 30 June				As at 30 September	
	2013		2014		2014	
	Percentage of total		Percentage of total		Percentage of total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Within 30 days	8,746	85.5	8,329	84.9	5,504	83.8
31 to 60 days	903	8.8	1,197	12.2	492	7.5
61 to 90 days	240	2.4	70	0.7	399	6.1
Over 90 days	341	3.3	210	2.2	172	2.6
Total	<u>10,230</u>	<u>100.0</u>	<u>9,806</u>	<u>100.0</u>	<u>6,567</u>	<u>100.0</u>

As at 30 June 2013 and 2014 and 30 September 2014, majority of our trade receivables were within 30 days, principally due to the time required by our customers to process their payment after receiving our invoice. We generally do not grant any credit terms but for certain customers, we will grant credit period of no more than 45 days based on factors such as our years of relationship with them and their payment record. Also, in some cases, we required our customers to pay a deposit of 30% and settle the remaining balance after receiving the invoice.

It is our policy to review overdue balances and our receivable balances on an ongoing basis and appropriate assessment is made by our management team to determine whether or not provision for impairment of trade receivables should be made.

FINANCIAL INFORMATION

We did not experience any material payment defaults from our customers during the Track Record Period. Nevertheless, we have written off bad debts of approximately HK\$0.1 million for the year ended 30 June 2013 due to the financial difficulty of the relevant customer. No impairment of trade receivable or written off bad debts was recognised for the year ended 30 June 2014 and the three months ended 30 September 2014.

As at 31 December 2014, over 97% of the trade receivables as at 30 September 2014 have been subsequently settled.

Trade payables, trust receipt loans and other payables

The following table sets forth a breakdown of our trade payables, trust receipt loans and other payables as of the dates indicated:

	As at 30 June				As at 30 September	
	2013		2014		2014	
	Percentage of total		Percentage of total		Percentage of total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Trade payables	3,978	37.3	1,811	23.4	338	5.5
Trust receipt loans	2,066	19.3	—	—	—	—
Trade deposits received	3,251	30.5	2,884	37.3	2,154	35.3
Accruals	1,369	12.8	2,793	36.2	3,110	45.3
Other payables	12	0.1	241	3.1	844	13.9
Total	10,676	100.0	7,729	100.0	6,446	100.0

Trade payables and trust receipt loans were primarily related to the purchase of raw materials. The aggregate trade payable and trust receipt loan balance decreased from approximately HK\$6.0 million as at 30 June 2013 to approximately HK\$1.8 million as at 30 June 2014 and further reduced to approximately HK\$0.3 million as at 30 September 2014, principally due to the settlement of the amounts by our internal resources prior to 30 June 2014 and 30 September 2014. We mainly utilise our internal resources and our trust receipt loan to finance our purchases and we were usually not granted any credit period by our suppliers. The settlement term of the trust receipt loans is generally 90 days.

As at 31 December 2014, over 95% of the outstanding trade payables and trust receipt loans as at 30 September 2014 had been settled.

Our trade deposit received amounted to approximately HK\$3.3 million, HK\$2.9 million and HK\$2.2 million as at 30 June 2013 and 2014 and 30 September 2014, respectively. We require our customers to pay deposit upfront of 30% of the order amount in some cases.

FINANCIAL INFORMATION

Our accruals increased from approximately HK\$1.4 million as at 30 June 2013 to approximately HK\$2.8 million as at 30 June 2014 and were maintained at a similar level of approximately HK\$3.1 million as at 30 September 2014. The increase as at 30 June 2014 was principally attributable to the increase in staff cost payable of approximately HK\$0.6 million, increase in accrued social insurance expenses of approximately HK\$0.3 million and increase in accrued housing provident fund of approximately HK\$0.3 million.

Borrowings

Our borrowings represented trust receipt loans from banks which were repayable within one year during the Track Record Period. The decrease in trust receipt loans of approximately HK\$2.1 million was mainly attributable to the settlement of the outstanding balance of trust receipt loan prior to 30 June 2014. The banking facilities bear no material covenants, and there has been no default or delay in repayment of banking facilities or borrowings by us during the Track Record Period.

Set out below the summary of our trust receipt loans as at 30 June 2013 and 2014 and 30 September 2014:

	As at 30 June				As at 30 September	
	2013		2014		2014	
	Outstanding balance	Effective interest rate	Outstanding balance	Effective interest rate	Outstanding balance	Effective interest rate
	HK\$'000		HK\$'000		HK\$'000	
USD settled invoices	1,906	3.25%	—	Not applicable	—	Not applicable
EUR settled invoices	160	1%	—	Not applicable	—	Not applicable
Total	2,066		—		—	

Amounts due to Directors

The amounts due to Directors mainly represented the advances to us by the Directors and amounted to approximately HK\$5.0 million, HK\$4.8 million and HK\$4.8 million as at 30 June 2013 and 2014 and 30 September 2014, respectively. The amounts have been fully repaid by the Group before the Listing.

Working capital management policy

We actively and regularly review and manage our capital structure to ensure our healthy financial position. Given the turnover of our trade receivables and inventories is slower than the turnover of our trade payables, our management will review our liquidity positions and available bank facilities from time to time to ensure that we have sufficient financial resources for our operation. Nevertheless, as at the Latest Practicable Date and except for the existing banking facilities available, we did not have any material external financing plan.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios during the Track Record Period:

	As at/for the year ended 30 June		As at/for the three months ended 30 September
	2013	2014	2014
Trade receivables turnover ¹ (days)	50.5	45.4	33.9
Trade payables turnover ² (days)	57.5	26.9	8.0
Inventory turnover ³ (days)	76.1	65.1	44.0
Current ratio ⁴ (times)	1.2	2.0	2.1
Return on equity ⁵ (%)	160.3	74.3	7.1
Return on total assets ⁶ (%)	25.5	38.1	3.8
Debt to equity ratio ⁷ (%)	30	Not applicable	Not applicable

Notes:

1. Trade receivables turnover days for the two years ended 30 June 2014 and three months ended 30 September 2014 are computed by the average of the beginning and ending trade receivable balances for each of the two years ended 30 June 2014 and three months ended 30 September 2014 divided by the invoiced amount for the corresponding year/period and multiplied by 365 days or 92 days (as the case may be).
2. Trade payables turnover days for the two years ended 30 June 2014 and three months ended 30 September 2014 are computed by the average of the beginning and ending trade payable and trust receipt loans balances for each of the two years ended 30 June 2014 and three months ended 30 September 2014 divided by the cost of sales incurred for the corresponding year/period and multiplied by 365 days or 92 days (as the case may be).
3. Inventory turnover days for the two years ended 30 June 2014 and three months ended 30 September 2014 are computed by the average of the beginning and ending inventory balances for each of the two years ended 30 June 2014 and three months ended 30 September 2014 divided by the cost of sales incurred for the corresponding year/period and multiplied by 365 days or 92 days (as the case may be).
4. Current ratio is calculated by dividing current assets by current liabilities as at the end of the respective year/period.
5. Return on equity is calculated by dividing net profit for the year/period by total equity at the end of the respective year/period.
6. Return on total assets is calculated by dividing the net profit for the year/period by total assets at the end of the respective year/period.
7. Debt to equity ratio is calculated by dividing the net debt by total equity at the end of the respective year/period.

FINANCIAL INFORMATION

Trade receivables turnover days

Our debtors' turnover days slightly decreased from approximately 50.5 days for the year ended 30 June 2013 to approximately 45.4 days for the year ended 30 June 2014 and further decreased to approximately 33.9 days for the three months ended 30 September 2014. The slight decrease in our debtors' turnover days for the year ended 30 June 2014 was mainly attributable to the increase in revenue by approximately 50.3% as a result of the increase in both quantity and average selling prices of our products sold, while the average debtors balance, being the average of beginning and ending balances of trade receivables of the relevant financial year, only increased by approximately 35.0%. The increase in average debtors balance was principally attributable to the relatively lower level of trade receivable balance as at 1 July 2012. The trade receivable balance as at 30 June 2013 and 2014 (which were principally attributable to our sales in June of the respective year to our major customers) were higher than that of 1 July 2012 and in line with the increase in our sales in the respective year. The decrease in debtors' turnover days for the three months ended 30 September 2014 was principally attributable to the further drop in trade receivable balance as at 30 September 2014 due to the settlement of trade receivable by our customers prior to end of September 2014. We generally do not grant credit terms but for some customers, we will offer credit period of no more than 45 days and majority of our trade receivables as at 30 June 2013 and 2014 and 30 September 2014 were aged within 30 days, which was principally due to administrative time required by our customers to process their payment after receiving our invoice.

Trade payables turnover days

Our creditors' turnover days reduced from approximately 57.5 days for the year ended 30 June 2013 to approximately 26.9 days for the year ended 30 June 2014 and further decreased to approximately 8.0 days. The decreases in our creditors' turnover days was principally due to the fact that (i) there was no outstanding trust receipt loan balance as at 30 June 2014 and 30 September 2014, while there were outstanding trust receipt loan balances of approximately HK\$2.1 million as at 30 June 2013 and a relatively lower level of trust receipt loan as at 30 June 2012; and (ii) the Group only had approximately HK\$1.8 million and HK\$0.3 million of trade payable balance as at 30 June 2014 and 30 September 2014, respectively, while the trade payable balance as at 30 June 2013 was approximately HK\$4.0 million. In general, no credit period was granted by our suppliers but we usually take same administrative time to arrange and process the payment to our suppliers. As part of our working capital management, we had utilised trust receipt loans to finance the purchase of raw materials during the Track Record Period. The decrease in trade payable balance and trust receipt loan balance were principally due to our settlement in June 2014 and September 2014 by our internal resources in view of our improvement in cash position.

Inventory turnover days

Our stock turnover days decreased from approximately 76.1 days for the year ended 30 June 2013 to approximately 65.1 days for the year ended 30 June 2014 and further decreased to approximately 44.0 days for the three months ended 30 September 2014. The decrease in our stock turnover days for the year ended 30 June 2014 was principally attributable to the increase in our cost of goods sold by approximately 53.4% as mainly brought by the increase in quantity of our

FINANCIAL INFORMATION

products sold of approximately 40.2%, while the increase in average inventory level, being the average of beginning and ending balances of inventory of the relevant financial year, as primarily driven by the increase in our orders, was only approximately 31.0% for the year ended 30 June 2014 as compared to the year ended 30 June 2013. The decrease in inventory turnover days for the three months ended 30 September 2014 was principally attributable to the decrease in inventory level as at 30 September 2014 as lower level of inventories were ordered to cater for the goods to be delivered subsequent to September 2014 based on the production schedule as at 30 September 2014. Our inventory level is also affected by the status and progress of customers' orders being processed by us as at the relevant reporting date. Moreover, products with higher inventory costs were being processed in accordance with our production schedule as at 30 June 2013, as compared to 30 June 2014, to cater for orders placed with us and goods to be delivered in the months following.

Current ratio

Our current ratio improved from approximately 1.2 as at 30 June 2013 to approximately 2.0 as at 30 June 2014 and approximately 2.1 as at 30 September 2014. We recorded improvement in current assets of approximately HK\$6.0 million as at 30 June 2014 as compared to 30 June 2013, which was principally attributable to the increase in cash and cash equivalents of approximately HK\$9.4 million primarily arose from cash inflow from our operation and partially offset by the decrease in inventories of approximately HK\$2.5 million as a lower level of inventories were ordered and being processed based on our production schedule as at 30 June 2014, as compared to 30 June 2013, to cater for orders placed with us and goods to be delivered in the months following.

On the other hand, we recorded decrease in current liabilities of approximately HK\$6.9 million as at 30 June 2014 as compared to 30 June 2013, which was principally attributable to the decrease in dividend payable of HK\$6.0 million as we did not declare any interim dividend during the year ended 30 June 2014 and the dividend payable in respect of the year ended 30 June 2013 was settled during the year ended 30 June 2014, decrease in trade payables of approximately HK\$2.2 million due to our settlement before 30 June 2014 by our internal resources and decrease in bank borrowing of approximately HK\$2.1 million due to our settlement before 30 June 2014 by our internal resources, and partially offset by the increase in tax payable of approximately HK\$2.2 million and accruals of approximately HK\$1.4 million principally attributable to the increase in staff cost payable, increase in accrued social insurance expenses and increase in accrued housing provident fund.

Combining the aforesaid effects, we recorded an improvement in current ratio as at 30 June 2014 as compared to 30 June 2013.

We recorded further improvement in current assets of approximately HK\$1.3 million as at 30 September 2014 as compared to 30 June 2014, which was principally attributable to the increase in cash and cash equivalents of approximately HK\$8.9 million primarily arose from cash inflow from our operation and partially offset by the decrease in inventories of approximately HK\$4.6 million as a lower level of inventories were ordered and being processed based on our production schedule as

FINANCIAL INFORMATION

at 30 September 2014, as compared to 30 June 2014, to cater for orders placed with us and goods to be delivered in the months following, and the decrease in accounts receivables of approximately HK\$3.2 million due to the collection thereof from our customers prior to 30 September 2014.

On the other hand, we recorded slight decrease in current liabilities of approximately HK\$0.1 million, which was principally attributable to the decrease in trade payable of approximately HK\$1.5 million due to our settlement before 30 September 2014 by our internal resources and partially offset by the increase in tax payable of approximately HK\$1.2 million in relation to the profits tax from our operation.

Combining the aforesaid effects, we recorded further improvement in current ratio as at 30 September 2014 as compared to 30 June 2014.

Return on equity

We recorded a decrease in return on equity from approximately 160.3% for the year ended 30 June 2013 to approximately 74.3% for the year ended 30 June 2014 and to approximately 7.1% for the three months ended 30 September 2014. As a private company, our equity principally represented our retained earnings, which only amounted to approximately HK\$2.9 million at the commencement of the Track Record Period.

The decrease in our return on equity was principally attributable to the enhancement in our equity as a result of the accumulation of profit recorded by us during the Track Record Period, and is partially offset by the increase in our net profit for the year ended 30 June 2014 as compared to the year ended 30 June 2013. We only recorded a return on equity of approximately 7.1% for the three months ended 30 September 2014 as we only recorded a net profit of approximately HK\$1.3 million after taking into account of Listing expenses of approximately HK\$4.2 million for the period.

Return on total assets

We recorded increase in return on total assets from approximately 25.5% for the year ended 30 June 2013 to approximately 38.1% for the year ended 30 June 2014 and decrease in return on total assets to approximately 3.8% for the three months ended 30 September 2014. We did not have fixed assets in material amount during the Track Record Period and our assets principally represented cash and cash equivalents, trade receivables and inventories. The increase in return on total assets for the year ended 30 June 2014 was principally attributable to the improvement in our net profit from approximately HK\$7.1 million for the year ended 30 June 2013 to approximately HK\$12.9 million for the year ended 30 June 2014, and partially offset by the improvement in asset base and cash position mainly due to the accumulation of profit generated from our operation during the Track Record Period. We only recorded a return on assets of approximately 3.8% for the three months ended 30 September 2014 as we only recorded a net profit of approximately HK\$1.3 million after taking into account of Listing expenses of approximately HK\$4.2 million for the period and our asset base has been strengthened due to the accumulation of profit recorded during the period.

FINANCIAL INFORMATION

Debt to equity ratio

Our debt to equity ratio improved from approximately 30% as at 30 June 2013 to cash position in excess of our debt position for as at 30 June 2014 and 30 September 2014. The improvement in debt to equity ratio was principally attributable to the decrease in dividend payable as we did not declare any interim dividend during the year ended 30 June 2014 and three months ended 30 September 2014 and the dividend payable in respect of the year ended 30 June 2013 was settled during the year ended 30 June 2014 and we recorded a cash position in excess of our debt position as at 30 June 2014 and 30 September 2014 and the increase in our equity base mainly due to the accumulation of profits recorded by us during the Track Record Period.

TAXATION

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and, accordingly, are exempted from the payment of the Cayman Islands income tax. For our subsidiary incorporated in the BVI, it is registered as BVI business company under the BVI Business Companies Act, 2004 and is exempted from payment of income tax of BVI.

For our subsidiaries incorporated in Hong Kong and the PRC, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Track Record Period, while the PRC Enterprise Income Tax (“EIT”) has been provided at the applicable rates in accordance with the income tax laws of the PRC.

Perline, our subsidiary in Hong Kong, has been adopting 30 June as its financial year end date. During the Track Record Period, Perline usually made the relevant tax filing to the IRD in the following calendar year before the tax filing deadline, and the notices of assessment issued by the IRD regarding the actual assessment on profit tax payable were received usually after 10 months from the financial year end of Perline. Accordingly, during the Track Record Period, our tax payment in respect of Hong Kong profits tax usually represent the (i) Hong Kong profits tax, net of provisional profits tax previously paid, for the second last financial year from the time of payment; and (ii) Hong Kong profits tax for the last financial year from the time of payment.

As at 30 June 2013, our tax payable principally represented (i) approximately HK\$0.2 million profits tax payable of Perline, net of provisional profits tax previously paid, in respect of its financial year ended 30 June 2012; and (ii) approximately HK\$1.6 million profits tax payable of Perline in respect of its financial year ended 30 June 2013. During the year ended 30 June 2014, we have made Hong Kong profits tax payment of approximately HK\$551,000, among which (i) approximately HK\$211,000 was attributable to the profits tax payable of Perline, net of provisional profits tax previously paid, in respect of its financial year ended 30 June 2012 and (ii) approximately HK\$340,000 was attributable to the provisional profits tax in respect of its financial year ended 30 June 2013. Accordingly, as at 30 June 2014, our tax payable of approximately HK\$4.0 million principally represented (i) approximately HK\$1.3 million profits tax payable of Perline, net of provisional profits tax previously paid, in respect of its financial year ended 30 June 2013; and (ii) approximately HK\$2.7 million profits tax payable of Perline in respect of its

FINANCIAL INFORMATION

financial year ended 30 June 2014. Our tax payable as at 30 September 2014 of approximately HK\$5.2 million principally represented (i) approximately HK\$1.3 million profits tax payable of Perline, net of provisional profits tax previously paid, in respect of its financial year ended 30 June 2013; (ii) approximately HK\$2.7 million profits tax payable of Perline in respect of its financial year ended 30 June 2014; and (iii) approximately HK\$1.1 million profits tax payable of Perline in respect of the three months ended 30 September 2014.

Subsequent to 30 June 2014, Perline received notice of assessment in respect of the Hong Kong profits tax payable for the financial year ended 30 June 2013, and made a payment of profits tax of approximately HK\$2.9 million of which approximately HK\$1.3 million was attributable to the Hong Kong profits tax payable for the year ended 30 June 2013, net of provisional profits tax previously paid, and approximately HK\$1.6 million was attributable to the provisional Hong Kong profits tax payable for the year ended 30 June 2014.

On 16 March 2007, the EIT Law was passed by the National People's Congress of the PRC, the income tax rate for both domestic and foreign-investment enterprise was unified at 25% effective from 1 January 2008.

As disclosed in the paragraph headed “Business — Production — Processing Arrangement” of this prospectus, our products are manufactured by the Foshan Factory pursuant to the processing arrangement made between our two wholly-owned subsidiaries, Foshan Shengli and Perline. Foshan Shengli provided processing services to Perline and charged processing fees, as intra-group transactions, on such service. During the Track Record Period, we prepared the enterprise related party transaction annual report forms relating to intra-group transactions and submitted those reports to the applicable tax authorities in accordance with the PRC regulations. Furthermore, as advised by the PRC Legal Advisers and our Group's reporting accountants, HLB Hodgson Impey Cheng Limited, based on the confirmation issued by the competent tax authority, we have not violated any of the applicable tax laws in the PRC in any material aspect, which includes the relevant rules on transfer pricing, during the Track Record Period.

Our reporting accountants have reviewed relevant documents (including but not limited to the tax filing of our Group and the opinions of the PRC Legal Advisers) and considered the applicable tax laws in the PRC. Based on the foregoing, our reporting accountants are of the view that the companies within our Group have not violated any applicable tax laws in the PRC in any material aspect (including transfer pricing) during the Track Record Period.

Pursuant to Departmental Interpretation and Practice Notes No. 21 (Revised in July 2012) (“DIPN 21”) issued by the Inland Revenue Department of Hong Kong (“IRD”), in the event of a Hong Kong manufacturing company entering into a contract processing arrangement with a PRC entity where the production processes are carried out at a processing facility situated in the PRC and such Hong Kong manufacturing company provides raw materials and machineries without consideration and the technical and managerial know-how according to the processing agreement, profits of the Hong Kong manufacturing company generated from the sale of goods that are

FINANCIAL INFORMATION

manufactured/processed by such PRC entity can be entitled to the 50:50 offshore claim so that 50% of such profit is apportioned and treated as derived outside Hong Kong and the chargeable profits so apportioned can be treated as non-taxable in Hong Kong.

The processing arrangement between Perline and Foshan Shengli does not fall within the regime of the 50:50 offshore claim discussed under DIPN 21 as the production equipment and machineries in the Foshan Factory were owned by Foshan Shengli and not provided by Perline. In light of foregoing reason, we did not apply for, and currently we do not have any intention to apply for, the concessionary tax treatment under the DIPN 21 in respect of our processing arrangement.

Furthermore, apart from providing processing services to Perline, Foshan Shengli has also sourced a minor portion of our raw materials domestically within China and sold certain products directly to customers in China. Please refer to the paragraph headed “Business – Sales and marketing” in this prospectus for further details.

INDEBTEDNESS

As at the close of business on 31 December 2014, being the latest practicable date for the purpose of ascertaining certain information contained in this indebtedness statement prior to printing of this prospectus, the Group had no outstanding borrowings.

Save for the aforesaid or otherwise disclosed herein and apart from the intra-group liabilities, we did not have, at the close of business on 31 December 2014, any debt securities, or term loans or bank overdrafts, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, obligation under hire purchase contracts or finance leases, guarantees, or other material contingent liabilities. At the close of business in 31 December 2014, the Group had approximately HK\$3,000,000 of unutilised bank facilities.

The Directors confirm that there is no material adverse change in our indebtedness position and contingent liabilities since 31 December 2014.

SUBSEQUENT CHANGES

The Directors further confirm that they are not aware of any cancellation of orders, any material default in payment by our customers or significant drop in average selling prices of our products, from 30 September 2014 up to the Latest Practicable Date.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

During the Track Record Period, two of our Directors provided personal guarantees in respect of our banking facilities, which have been terminated by us. We have obtained new banking facilities under which no personal guarantee from any of our Directors is required.

With respect to the related party transactions set out above and other related party transactions set out in the Accountants' Report set out in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and on arm's length basis.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

Overview

During the Track Record Period and up to the Latest Practicable Date, we have been generally financing our operations through a combination of, internally generated cash flows and bank borrowings. Following completion of the Placing, we expect our capital and operating cash flow requirements will be funded principally through internally generated cash flows, the net proceeds from the Placing, and bank borrowings. Our Directors believe that in long term, our operation will be funded by internally generated cash flows and, if necessary, additional equity financing or bank borrowings. Our ability to fund our working capital needs, repay our indebtedness and finance other obligations depend on our future operating performance and cash flow, which are in turn subject to prevailing economic conditions, the level of spending by our customers and other factors, many of which are beyond our control. Any future significant acquisition or expansion may require additional capital, and we cannot assure you that such capital will be available to us on acceptable terms, if at all. In general, we have the ability to generate adequate cash from our operations to fund our ongoing operating cash needs. We may use short-term bank borrowings to finance operations and repay bank borrowings once our funding position is in surplus. We have not experienced and do not expect to experience any difficulties meeting our obligations as they become due.

FINANCIAL INFORMATION

Cash flows

The table below sets out a summary of the cash flows information of our Group during the Track Record Period:

	For the year ended 30 June		For the three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Inflow from operation before working capital changes	8,972	15,824	5,370	2,591
Working capital changes, interest received and net income tax refund/paid	(11,537)	1,977	11,145	6,328
Net cash (used in) generated from operating activities	(2,565)	17,801	16,515	8,919
Net cash used in investing activities	(81)	(124)	(23)	(8)
Net cash generated from (used in) financing activities	1,943	(8,234)	(2,080)	(36)
Net (decrease) increase in cash and cash equivalents	(703)	9,443	14,412	8,875

Operating activities

Our operating cash inflows are principally derived from the receipt of payments for the sales of our products while our operating cash outflows are principally for the purchase of raw materials and other operating costs such as staff costs, utilities and office expenses.

Inflow from operation before working capital changes

Our inflow from operation before working capital changes was principally attributable to our profit before tax which amounted to approximately HK\$8.7 million and HK\$15.7 million and HK\$2.5 million for the two years ended 30 June 2013 and 2014 and three months ended 30 September 2014, respectively.

Working capital changes, interest received and net income tax refund/(paid)

We recorded net cash outflow from working capital changes, interest received and net income tax refund of approximately HK\$11.5 million for the year ended 30 June 2013, which was principally attributable to the increase in inventories of approximately HK\$7.0 million to cater for the increase in orders received and products to be delivered in the months following 30 June 2013

FINANCIAL INFORMATION

and increase in trade receivables of approximately HK\$5.7 million principally attributable to the trade receivables from Customer A, Customer C and Customer G and partially offset by the increase in accruals, other payables and trade deposits received of approximately HK\$2.0 million.

We recorded net cash inflow from working capital changes, interest received and net income tax paid of approximately HK\$2.0 million for the year ended 30 June 2014, which was principally attributable to the decrease in inventories of approximately HK\$2.5 million as a lower level of inventories were ordered and being processed based on our production schedule as at 30 June 2014, as compared to 30 June 2013, to cater for orders placed with us and goods to be delivered in the months following thereto and increase in accruals, other payables and trade deposits received of approximately HK\$1.3 million principally attributable to the increase in staff cost payable, increase in accrued social insurance expenses and increase in accrued housing provident fund and partially offset by the decrease in trade payables of approximately HK\$2.2 million principally due to our settlement in June 2014 with our internal resources in view of our improvement in cash position.

We recorded net cash inflow from working capital changes, interest received and net income tax paid of approximately HK\$6.3 million for the three months ended 30 September 2014, which was principally attributable to the decrease in inventories of approximately HK\$4.7 million as most of the inventories as at 30 June 2014 had been delivered during the three months ended 30 September 2014 and a lower level of inventories were ordered and being processed based on our production schedule as at 30 September 2014, as compared to 30 June 2014, to cater for orders placed with us and goods to be delivered in the months following thereto and decrease in trade receivables of approximately HK\$3.2 million principally attributable to collection of receivables prior to 30 September 2014 and partially offset by the decrease in trade payables of approximately HK\$1.5 million principally due to our settlement prior to end of September 2014 with our internal resources in view of our continuous improvement in cash position.

The negative operating cashflow incurred for the year ended 30 June 2013 was mainly due to the increase in our inventory level in accordance with our production schedule to cater for orders placed with us prior to June 2013 and goods to be delivered in the months following, and the increase in our trade receivables as a result of increase in our revenue, which, in aggregate, led to cash used in operating activities of approximately HK\$12.7 million. On the other hand, we recorded cash generated from operating activities of approximately HK\$17.8 million for the year ended 30 June 2014 and had no borrowing as at 30 June 2014.

Investing activities

During the Track Record Period, our cash flows from investing activities were principally used in purchases of items of property, plant and equipment.

Net cash used in investing activities amounted to approximately HK\$81,000 for the year ended 30 June 2013, HK\$124,000 for the year ended 30 June 2014 and approximately HK\$8,000 for the three months ended 30 September 2014, which mainly represented purchases of items of

FINANCIAL INFORMATION

property, plant and equipment of approximately HK\$83,000 for the year ended 30 June 2013, approximately HK\$124,000 for the year ended 30 June 2014 and approximately HK\$8,000 for the three months ended 30 September 2014.

Financing activities

During the Track Record Period our financing cash flow were principally generated from the utilisation of our banking facilities and drawdown of bank borrowings, the repayment of such bank borrowing and the interest accrued thereof, payment of dividend to our shareholders and changes in amounts due to Directors.

We recorded net cash generated from financing activities amounted to approximately HK\$1.9 million for the year ended 30 June 2013 and net cash used in financing activities of approximately HK\$8.2 million and approximately HK\$36,000 for the year ended 30 June 2014 and the three months ended 30 September 2014, respectively. The net cash generated from financing activities for the year ended 30 June 2013 was mainly arising from the net proceeds, being the net of drawdown and repayment, received from our bank borrowing in financing our raw material purchases of approximately HK\$1.7 million. The net cash used in financing activities for the year ended 30 June 2014 was mainly due to the payment of dividend of HK\$6.0 million and the net proceeds paid in our banking borrowing of approximately HK\$2.0 million. The net cash used in financing activities for the three months ended 30 September 2014 was mainly due to the repayment of trust receipt loan of approximately HK\$0.4 million, the entire amount of which were drawn in the same period, and the decrease in amounts due to directors of approximately HK\$24,000.

Capital structure

Based on our unaudited management account as at 31 December 2014, we had net assets of approximately HK\$10.6 million, comprising non-current assets of approximately HK\$0.2 million (mainly comprising of property, plant and equipment) and net current assets of approximately HK\$10.4 million with breakdown as set out below.

FINANCIAL INFORMATION

Net current assets

	As at 30 June		As at 30 September	As at 31 December
	2013	2014	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Current assets				
Inventories	10,735	8,236	3,555	3,157
Trade receivables	10,230	9,806	6,567	9,567
Deposits, prepayments and other receivables	958	431	732	785
Pledged deposit	—	—	—	3,012
Cash and cash equivalents	<u>5,702</u>	<u>15,133</u>	<u>24,013</u>	<u>10,492</u>
	<u>27,625</u>	<u>33,606</u>	<u>34,867</u>	<u>27,013</u>
Current liabilities				
Trade payables	3,978	1,811	338	3,542
Accruals, other payables and trade deposits received	4,632	5,918	6,108	9,448
Amounts due to directors	4,978	4,824	4,800	—
Dividend payable	6,000	—	—	—
Bank borrowings	2,066	—	—	—
Tax payable	<u>1,811</u>	<u>3,990</u>	<u>5,214</u>	<u>3,628</u>
	<u>23,465</u>	<u>16,543</u>	<u>16,460</u>	<u>16,618</u>
Net current assets	<u><u>4,160</u></u>	<u><u>17,063</u></u>	<u><u>18,407</u></u>	<u><u>10,395</u></u>

Our net current assets position improved from approximately HK\$4.2 million as at 30 June 2013 to approximately HK\$17.1 million as at 30 June 2014 and further to approximately HK\$18.4 million as at 30 September 2014. We experienced improvement in net current assets position during the Track Record Period mainly due to the accumulation of assets generated from our profitable operations.

As at 31 December 2014, our Group had a net current asset position of approximately HK\$10.4 million. The decrease in net current asset position was primarily due to the recording of approximately HK\$9.5 million of Listing expenses and the payment of dividend of HK\$3.2 million during the three months ended 31 December 2014.

FINANCIAL INFORMATION

Loan and banking facilities

Our borrowings during the Track Record Period were denominated in HK\$ and repayable within 90 days.

Our total outstanding borrowings amounted to approximately HK\$2.1 million, nil and nil as of 30 June 2013 and 2014 and 30 September 2014, respectively. Our borrowings, representing trust receipt loans, bear annual interest rate of prime rate. Our trust receipt loan was not less than 80% guaranteed by the Government of Hong Kong Special Administrative Region and 100% personally guaranteed by two executive Directors. Subsequent to 30 September 2014, we have terminated such banking facilities and obtained new banking facilities which no personal guarantee from any of our Directors is required.

We have not breached any loan covenants during the Track Record Period and up to the Latest Practicable Date and we expect that we will still be able to meet those covenants.

Capital expenditure

During the Track Record Period, we have incurred capital expenditure mainly for the purchase of property, plant and equipment amounting to approximately HK\$83,000, HK\$124,000 and HK\$8,000, respectively. We currently plan to use approximately HK\$0.2 million, approximately HK\$0.3 million and nil during each of the years ending 30 June 2017, respectively, to purchase manufacturing facilities, such as automatic flat press machine, sewing machines with special functions, computerised pattern cutting machine and automated button-attaching machines, after Listing, which will be entirely financed by the net proceeds from the Placing. Our directors believe that such capital expenditure budget will be sufficient for our expected expenditure for the year ending 30 June 2015.

We anticipate that the funds required for such capital expenditure will be financed by cash generated from operations, bank borrowings and the net proceeds from the Placing. It should be noted that the current plan with respect to future capital expenditure may be subject to change based on the implementation of our business plan, including, but not limited to, potential acquisitions, the progress of our capital projects, market conditions, the outlook of our future business conditions and potential acquisitions. As we will continue to expand, additional capital expenditure may be incurred and we may consider raising additional funds as and when appropriate. Our ability in obtaining additional funding in the future is subject to a variety of uncertainties including, but not limited to, our further operation results, financial condition and cash flows, economic, political and other conditions in the PRC, Hong Kong and other countries which our customers operate in.

Capital commitments

As at 30 June 2013 and 2014 and 30 September 2014, we had no significant capital commitment.

FINANCIAL INFORMATION

Contingent liabilities

As at 30 June 2013 and 2014 and 30 September 2014, we had no significant contingent liabilities or outstanding litigation.

Operating lease commitment

We lease warehouse and production plant in the PRC and our office in Hong Kong under non-cancellable operating lease agreement. Leases are negotiated at term which range from 1 to 5 years.

The following table sets forth our future minimum lease payment under non-cancellable operating leases as of the end of the relevant reporting periods.

	As at 30 June		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Within one year	1,221	653	712
In the second to fifth year, inclusive	—	40	190
	<u>1,221</u>	<u>693</u>	<u>902</u>

Quantitative and qualitative information about market risks

Foreign currency risk

We are mainly exposed to foreign exchange risk arising from future commercial transactions, and from recognised assets and liabilities. We are mainly exposed to foreign exchange risk in respect of exchange fluctuation of HK\$ against USD, RMB, AUD and EUR. We do not hedge its foreign exchange risk during the Track Record Period.

Set out below is the breakdown of our revenue by currencies (based on the invoiced currency) during the Track Record Period:

	For the year ended 30 June		Three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
USD	52,766	78,756	25,271	20,108
HK\$	841	1,584	533	1,615
RMB	—	246	—	521
	<u>53,607</u>	<u>80,586</u>	<u>25,804</u>	<u>22,244</u>

FINANCIAL INFORMATION

Set out below is the breakdown of our purchase by currencies (based on the invoiced currency) during the Track Record Period:

	For the year ended 30 June		Three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
USD	29,658	29,195	5,003	4,659
EURO	2,243	6,437	1,428	374
RMB	1,337	4,495	2,638	368
HK\$	2,490	2,971	439	433
	<u>35,728</u>	<u>43,098</u>	<u>9,508</u>	<u>5,834</u>

As a majority of our revenue and purchases were denominated in USD or HK\$ during the Track Record Period and HK\$ is pegged to USD, we consider that our exposure to foreign exchange risk is not high. Nevertheless, we still aim to reduce our exposure in relation to foreign exchange risk by negotiating with our suppliers and customers to adopt USD as the principal settlement currency.

Our cash and cash equivalents as at 30 June 2013 and 2014 and 30 September 2014 are denominated in the following currencies:

	As at 30 June		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
USD	5,352	12,061	20,821
HK\$	152	465	791
RMB	141	1,438	1,501
AUD	57	54	51
EUR	—	1,115	849
	<u>5,702</u>	<u>15,133</u>	<u>24,013</u>

As HK\$ is pegged to USD, it is assumed that there would be no material foreign exchange risk exposure between USD and HK\$ and therefore USD is excluded from the analysis below.

For the years ended 30 June 2013 and 2014 and three months ended 30 September 2014, if HK\$ had reasonably strengthened/weakened by 5% against RMB, AUD and EUR with all other variables held constant, the profit before tax for each of the years then ended would have changed mainly as a result of foreign exchange gains/losses on translation of HK\$ denominated monetary assets and liabilities.

FINANCIAL INFORMATION

Details of the changes are as follows:

	For the year ended 30 June		For the three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before tax increase/(decrease):				
— HK\$ strengthened 5% against RMB	138	(32)	116	(32)
— HK\$ weakened 5% against RMB	(138)	32	(116)	32
— HK\$ strengthened 5% against AUD	(3)	(3)	(1)	(3)
— HK\$ weakened 5% against AUD	3	3	1	3
— HK\$ strengthened 5% against EUR	6	(55)	1	(42)
— HK\$ weakened 5% against EUR	(6)	55	(1)	42

Our Directors consider that we will have sufficient foreign exchange, primarily from our existing foreign currency balances, and the conversion of HK dollars and foreign currencies generated from our operations, to meet our foreign exchange liabilities as they become due.

Cashflow and fair value interest rate risk

Our income and operating cash flows are substantially independent of changes in market interest rates. Except for cash and cash equivalents, we have no other significant interest-bearing assets. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of cash and cash equivalents are not expected to change significantly.

Our interest-rate risk arises from borrowing. Borrowing obtained at variable rates expose us to cash flow interest rate risk. Borrowing obtained at fixed rates expose us to fair value interest-rate risk. We do not hedge its cash flow and fair value interest rate risk.

For variable rate borrowing, details of the changes are as follows:

	For the year ended 30 June		For the three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before tax increase/(decrease):				
— 50 basis point decrease in interest rate	10	—	—	—
— 50 basis point increase in interest rate	(10)	—	—	—

FINANCIAL INFORMATION

Credit risk

We have no significant concentrations of credit risk due to the customers' base being large and unrelated. The carrying amounts of cash and cash equivalents and trade receivables included in the combined financial statements represent our maximum exposure to credit risk in relation to our financial assets. As at 30 June 2013 and 2014 and 30 September 2014, all cash and cash equivalents were deposited into highly reputable and sizable banks and financial institutions without significant credit risk. Majority of our sales are based on letters of credit and advances before delivery, and the remaining sales are made with credit terms. Credit will only be granted to selected customers with long-term relationship and good credit history. We perform ongoing credit evaluations of its customers' financial conditions and has policies in place to ensure that trade receivables are followed up on a timely basis.

Liquidity risk

Cash flow is managed at group level by our Management. The Management monitors our liquidity requirements to ensure that it has sufficient cash to meet operational needs at all times and does not breach borrowing limits or covenants on any of its borrowing facilities. The Management usually takes into consideration our debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

DISTRIBUTABLE RESERVE

The distributable reserve of the Company, principally represented the retained earnings and share premium of the Company, amounted to nil as at 30 September 2014.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the cash flows generated from the operating activities, the existing financial resources available to us including internally generated funds, the available banking facilities and the estimated net proceeds from the Placing, we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

MATERIAL ADVERSE CHANGE

Our Directors confirm that the impact of the listing expenses on our combined statement of profit or loss as disclosed in the paragraph headed "Summary — Recent developments subsequent to the Track Record Period — Listing expenses" above in this prospectus has primarily led to a material adverse change in the financial or trading position or prospects of our Group since 30 September 2014, being the date of which our Group's latest audited combined financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus, and up to the date of this prospectus.

FINANCIAL INFORMATION

It is preliminarily reviewed and estimated by our Board that there will be a substantial reduction in the profit of our Group and our Group will make a loss of not more than HK\$5 million for the six months ended 31 December 2014 and may be in a loss position for the nine months ending 31 March 2015 and the year ending 30 June 2015 as a result of the Listing expenses, which are one-off non-recurring expenses and currently estimated (in respect of the position to be accounted for in our combined statement of profit or loss) to be approximately HK\$13.7 million for the six months ended 31 December 2014 and the remaining balance of approximately HK\$4.1 million will be recorded as expense upon Listing. Our Group's profit/loss position will also be affected, to a lesser extent, by the expected increase in (i) administrative expenses such as increase in Directors' remuneration of approximately HK\$0.2 million for the year ending 30 June 2015 and (ii) other expenses relating to the expansion of marketing department, design team and sourcing team, which are expected to be approximately HK\$1.9 million in aggregate for the year ending 30 June 2015, based on our expansion plans set out in the section headed "Future plans and use of proceeds" in this prospectus. Such listing expenses are current estimates for reference only and the final amount to be charged to the profit and loss account of our Group for the six months ended 31 December 2014, the nine months ending 31 March 2015 and the year ending 30 June 2015 is subject to change. In respect of our financial results for the six months ended 31 December 2014, we anticipate that we will be in a loss position. Please refer to Appendix III to this prospectus for the loss estimate for the six months ended 31 December 2014. Save as disclosed above, the Directors were not aware of any material adverse changes in the financial or trading position or business prospects of our Group since 30 September 2014, being the date of which our Group's latest audited combined financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus, and up to the date of this prospectus.

DIVIDENDS

We may declare dividends after taking into account, among other things, our results, cash flows and financial condition and position, operating and capital requirements. The amount of distributable profits is based on HKFRSs, the memorandum and articles of association of the Company, the Companies Law, applicable laws and regulations and other factors that are relevant to us.

We declared dividend of HK\$6.0 million and approximately HK\$3.2 million for the two years ended 30 June 2014, respectively, and have not declared any dividends for the three months ended 30 September 2014. However, as we have not formulated any dividend policy, this should not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of our Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Placing on the net tangible assets of our Group attributable to equity holders of our Company as if the Placing had taken place on 30 September 2014. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as at 30 September 2014 or any future dates following the Placing.

	Audited combined net tangible assets of our Group attributable to equity holders of our Company as at 30 September 2014 <i>(Note 1)</i>	Add: Estimated net proceeds from the Placing <i>(Note 2)</i>	Unaudited pro forma adjusted net tangible assets <i>(Note 3)</i>	Unaudited pro forma adjusted net tangible assets per Share <i>(Note 3)</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$
Based on an Placing Price of HK\$0.55 per Share	18,665	30,496	49,161	0.12
Based on an Placing Price of HK\$0.60 per Share	18,665	35,196	53,861	0.13

Notes:

1. The audited combined net tangible assets of our Group attributable to equity holders of our Company as at 30 September 2014 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited combined net assets attributable to equity holders of our Company as at 30 September 2014 of approximately HK\$18,669,000 with an adjustment for the deferred tax assets of approximately HK\$4,000.
2. The estimated net proceeds from the Placing are based on the minimum and maximum Placing Price of HK\$0.55 and HK\$0.60 per Share respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses (excluding listing expenses of approximately HK\$4,230,000 incurred up to 30 September 2014).
3. The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in Notes 1 and 2 above and on the basis that 400,000,000 Shares are in issue and outstanding as set out in the section headed "Share Capital" in this prospectus.
4. The unaudited pro forma financial information presented above does not take into account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 30 September 2014). In particular, in October 2014, dividend of HK\$3,200,000 was approved to be appropriated to the then shareholders of Perline. The unaudited pro forma adjusted net tangible assets had not taken into account of the above transaction. Had the dividend been taken into account, our unaudited pro forma adjusted net tangible assets per Shares would be HK\$0.11 (assuming the Placing Price of HK\$0.55 per Share) and HK\$0.13 (assuming the Placing Price of HK\$0.60 per Share), respectively.

FINANCIAL INFORMATION

LOSS ESTIMATE

Our unaudited pro forma estimated loss per Share for the six months ended 31 December 2014 has been prepared on the basis as set out in Appendix III to this prospectus for the purpose of illustrating the effect of the Placing and the Capitalisation Issue as if they had taken place on 1 July 2014 and a total number of 400,000,000 Shares were in issue during such six-month period, and the estimated combined loss attributable to equity shareholders of our Company has taken into account of the expected Listing expenses to be incurred during the six months ended 31 December 2014 of approximately HK\$13.7 million. This unaudited pro forma estimated loss per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, may not provide a true picture of our financial results following the Placing and the Capitalisation Issue. Please see Appendix III to this prospectus for further information.

Estimated combined loss attributable to

equity shareholders of our Company for the six months

ended 31 December 2014⁽¹⁾⁽²⁾ not more than HK\$5 million

Unaudited pro forma estimated loss per Share for the six months

ended 31 December 2014⁽¹⁾⁽²⁾ not more than 1.25 HK cents

Notes:

- (1) The basis and assumptions on which the above loss estimate for the six months ended 31 December 2014 have been prepared are summarised in Part I of Appendix III. Our Directors have prepared the estimated combined loss attributable to equity shareholders of our Company for the six months ended 31 December 2014 based on the estimated combined results for the six months ended 31 December 2014.
- (2) The calculation of unaudited pro forma estimated loss per Share is based on the estimated combined loss attributable to the equity shareholders of the Company for the six months ended 31 December 2014 of not more than HK\$5 million and on the assumption that our Company had been listed since 1 July 2014 and a total number of 400,000,000 Shares were in issue during the six months ended 31 December 2014.
- (3) Our interim report for the six months ended 31 December 2014 will be audited by our auditors as required by Rule 14.30 of the GEM Listing Rule.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

The Directors have confirmed that, save as disclosed above, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS, BUSINESS OBJECTIVES AND STRATEGIES

Please see the paragraph headed “Business — Our Business strategies” of this prospectus for our Group’s business objectives and strategies.

REASONS FOR THE PLACING

Our Directors believe that the Placing will enhance our profile, strengthen our financial position and competitiveness, and provide us with additional capital to implement our future plans set out in the paragraph headed “Implementation plans” below.

In addition, our Directors expect the Listing will bring the following additional benefits to our Group and our shareholders:

1. access to the capital market for future growth of our Group;
2. assist us in positioning ourselves as a reliable partner for international and regional fashion brand owners in providing them with pre-production product development services, manufacturing services and logistical services; and
3. enhance the transparency of our Group’s operation.

USE OF PROCEEDS

The net proceeds from the Placing, assuming a Placing Price of HK\$0.575 per Placing Share (being the mid-point of the Placing Price range stated in this prospectus), are estimated to be approximately HK\$28.6 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Placing. We intend to use the net proceeds of the Placing for the following purposes:

- approximately HK\$8.8 million (or approximately 30.8%) of the net proceeds for strengthening our business development capability;
- approximately HK\$0.5 million (or approximately 1.7%) of the net proceeds for enhancing our Group’s manufacturing facilities;
- approximately HK\$8.8 million (or approximately 30.8%) of the net proceeds for further expansion of our Group’s pre-production product development function;
- approximately HK\$8.4 million (or approximately 29.4%) of the net proceeds for expansion of our sourcing capability;
- the remaining amount of approximately HK\$2.1 million (or approximately 7.3%) will be used to provide funding for our working capital and other general corporate purposes.

FUTURE PLANS AND USE OF PROCEEDS

If the final Placing Price is set at: (i) the lowest; or (ii) the highest of the indicative Placing Price range, the net proceeds from the Placing are estimated to be (i) approximately HK\$26.2 million; or (ii) approximately HK\$31.0 million respectively. In such event, the estimated net proceeds will decrease by approximately HK\$2.4 million or increase by approximately HK\$2.4 million respectively and are intended to be used in the same proportions as disclosed above, save for the amount of net proceeds planned to be used to enhance our Group's manufacturing facilities which will remain substantially constant and, if the final Placing Price is set at a price higher than the mid-point of the Placing Price range, the amount allocated for our working capital and other general corporate purposes shall not exceed 10% of the then net proceeds, irrespective of whether the Placing Price is determined at the highest or lowest of the indicative Placing Price range.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

IMPLEMENTATION PLANS

Our Group's implementation plans are set forth below for each of the six-month periods until 30 June 2017. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to in the sub-paragraph headed "Bases and key assumptions" below. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed "Risk factors" in this prospectus. Our Group's actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our

FUTURE PLANS AND USE OF PROCEEDS

Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all. Based on our Group's business objectives, our Directors intend to carry out the following implementation plans:

From the Latest Practicable Date to 30 June 2015

<u>Business strategy</u>	<u>Use of Proceeds</u>	<u>Implementation plan</u>
Strengthening our business development capability	HK\$0.62 million	Increase marketing team with about 1 to 2 additional staff to visit, make presentations to, and develop relationship with existing and potential customers of our Group Participate in more trade fairs and fashion shows to increase the market presence of our Group Develop marketing plan for further expansion of North America market
Enhancing our Group's manufacturing facilities	HK\$0.20 million	Making deposit payment for the purchase of automatic flat press machine, sewing machines with special functions, computerised pattern cutting machine and automated button-attaching machines Examine the state and condition of the existing production facilities to ascertain and develop time schedule for replacement of old equipment and machineries
Expansion of our Group's pre-production development function	HK\$0.62 million	Recruit about 1 to 2 staff to strengthen the design and development team
Expansion of our sourcing capability	HK\$0.62 million	Recruit about 1 to 2 staff/agent to expand our geographical coverage of suppliers and make more frequent supplier visits to strengthen our quality control

For the six months ending 31 December 2015

<u>Business strategy</u>	<u>Use of Proceeds</u>	<u>Implementation plan</u>
Strengthening our business development capability	HK\$2.04 million	Cost will be incurred as remuneration payable to the 1 to 2 additional marketing staff recruited for this business strategy Continue to participate in more trade fairs and fashion shows to increase the market presence of our Group Recruit about 1 to 2 staff to continue the development of sales in the PRC market Arrange additional marketing trips to visit our customers in Hong Kong and overseas Recruit additional staff to organise training programs to new staff and less experienced staff; organise regular meetings with the quality control team from our customers to better communicate and understand our customers' technical requirements and standards for business development purposes

FUTURE PLANS AND USE OF PROCEEDS

<u>Business strategy</u>	<u>Use of Proceeds</u>	<u>Implementation plan</u>
Enhancing our Group's manufacturing facilities	HK\$0.30 million	Payment for the remaining balance of the purchase price of the equipment and machinery ordered
Expansion of our Group's pre-production development function	HK\$2.04 million	Cost will be incurred as remuneration payable to the 1 to 2 additional design and development staff recruited for this business strategy Develop and create more samples for presentation to existing and potential customers Research on and search for new technologies and technics on leather garments Research on new technologies, organise training and visit fabric factories to enhance the technics and skills of manufacturing leather garments blended with fabrics and textiles
Expansion of our sourcing capability	HK\$1.94 million	Cost will be incurred as remuneration payable to the 1 to 2 additional sourcing staff/agent recruited and further recruit 1 to 2 additional sourcing staff/agent for this business strategy Arrange business trips to visit our major suppliers to update our staff with the latest leather treatment technologies and so that our staff can learn the proper skills of handling leather with the latest leather technologies Recruit leather garment specialists and organise training on the effects of different leather treatments, technics on handling different types of leather to enhance the knowledge of our staff on different types of leather

For the six months ending 30 June 2016

<u>Business strategy</u>	<u>Use of Proceeds</u>	<u>Implementation plan</u>
Strengthening our business development capability	HK\$2.04 million	Cost will be incurred as remuneration payable to the 1 to 2 additional marketing staff recruited for this business strategy Strengthening our marketing coverage in the PRC market Continue to participate in more trade fairs and fashion shows to increase the market presence of our Group Arrange additional marketing trips to visit our customers in Hong Kong and overseas Cost will be incurred as remuneration payable to the additional staff recruited for the organisation of training programs and meetings with the quality control team from our customers for this business strategy

FUTURE PLANS AND USE OF PROCEEDS

Business strategy	Use of Proceeds	Implementation plan
Expansion of our Group's pre-production development function	HK\$2.04 million	Cost will be incurred as remuneration payable to the 1 to 2 additional design and development staff recruited for this business strategy Continue to develop and create more samples for presentation to existing and potential customers Plan for developing a database with comprehensive and updated data and information of different leather, accessories, fashion samples, fashion design photos and other historical information related to leather garments Research on and search for new technologies and technics on leather garments Research on new technologies, organise training and visit fabric factories to enhance the technics and skills of manufacturing leather garments blended with fabrics and textiles
Expansion of our sourcing capability	HK\$1.94 million	Cost will be incurred as remuneration payable to the 2 to 4 additional sourcing staff/agent recruited for this business strategy Arrange business trips to visit our major suppliers to update our staff with the latest leather treatment technologies and so that our staff can learn the proper skills of handling leather with the latest leather technologies Cost will be incurred as remuneration payable to the leather garment specialists recruited and expenses for the organisation of training on the effects of different leather treatments, technics on handling different types of leather to enhance the knowledge of our staff on different types of leather for this business strategy

For the six months ending 31 December 2016

Business strategy	Use of Proceeds	Implementation plan
Strengthening our business development capability	HK\$2.04 million	Cost will be incurred as remuneration payable to the 1 to 2 additional marketing staff recruited for this business strategy Arrange additional marketing trips to visit our customers in Hong Kong and overseas Cost will be incurred as remuneration payable to the additional staff recruited for the organisation of training programs and meetings with the quality control team from our customers for this business strategy

FUTURE PLANS AND USE OF PROCEEDS

Business strategy	Use of Proceeds	Implementation plan
Expansion of the Group's pre-production development function	HK\$2.04 million	Cost will be incurred as remuneration payable to the 1 to 2 additional design and development staff recruited for this business strategy Continue to expand and strengthen the design team and to develop and create more samples for presentation to existing and potential customers Commence the development of a database with comprehensive and updated data and information of different leather, accessories, fashion samples, fashion design photos and other historical information related to leather garments Research on and search for new technologies and technics on leather garments Research on new technologies, organise training and visit fabric factories to enhance the technics and skills of manufacturing leather garments blended with fabrics and textiles
Expansion of our sourcing capability	HK\$1.94 million	Cost will be incurred as remuneration payable to the 2 to 4 additional sourcing staff/agent recruited for this business strategy Make more frequent supplier visits to strengthen our quality control Arrange business trips to visit our major suppliers to update our staff with the latest leather treatment technologies and so that our staff can learn the proper skills of handling leather with the latest leather technologies Cost will be incurred as remuneration payable to the leather garment specialists recruited and expenses for the organisation of training on the effects of different leather treatments, technics on handling different types of leather to enhance the knowledge of our staff on different types of leather for this business strategy

For the six months ending 30 June 2017

Business strategy	Use of Proceeds	Implementation plan
Strengthening our business development capability	HK\$2.04 million	Cost will be incurred as remuneration payable to the 1 to 2 additional staff recruited for this business strategy Continue to participate in more trade fairs and fashion shows to increase the market presence of our Group

FUTURE PLANS AND USE OF PROCEEDS

Business strategy	Use of Proceeds	Implementation plan
		Arrange additional marketing trips to visit our customers in Hong Kong and overseas Cost will be incurred as remuneration payable for the additional staff recruited for the organisation of training programs and meetings with the quality control team from our customers for this business strategy
Expansion of our Group's pre-production development function	HK\$2.04 million	Cost will be incurred as remuneration payable to the 1 to 2 additional design and development staff recruited for this business strategy Continue to expand and strengthen the design and development team Continue to develop and create more samples for presentation to existing and potential customers Launch the database with comprehensive and updated data and information of different leather, accessories, fashion samples, fashion design photos and other historical information related to leather garments Research on and search for new technologies and technics on leather garments Research on new technologies, organise training and visit fabric factories to enhance the technics and skills of manufacturing leather garments blended with fabrics and textiles
Expansion of our sourcing capability	HK\$1.94 million	Cost will be incurred as remuneration payable to the 2 to 4 additional staff recruited for this business strategy Make more frequent supplier visits to strengthen our quality control Arrange business trips to visit our major suppliers to update our staff with the latest leather treatment technologies and so that our staff can learn the proper skills of handling leather with the latest leather technologies Cost will be incurred as remuneration payable to the leather garment specialists recruited and expenses for the organisation of training on the effects of different leather treatments, technics on handling different types of leather to enhance the knowledge of our staff on different types of leather for this business strategy

Note: Save for the purpose of enhancing our Group's manufacturing facilities, the use of proceeds for the above business strategies will involve incurring cost for allowances for staff costs and overseas trips and overheads of additional headcount.

FUTURE PLANS AND USE OF PROCEEDS

Bases and key assumptions

The business objectives set out by our Directors are based on the following bases and assumptions:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our Group's future plans relate;
- there will be no change in the funding requirement for each of our Group's future plans described in this prospectus from the amount as estimated by our Directors;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- the Placing will be completed in accordance with and as described in the section headed "Structure and conditions of the Placing" in this prospectus;
- our Group is able to maintain its customers;
- our Group will be able to retain key staff in the management and the main operational departments;
- our Group will be able to continue its operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out its development plans without disruptions adversely affecting its operations or business objectives in any way;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out under the section headed "Risk factors" in this prospectus.

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Placing, which is sponsored by the Sponsor and managed by the Joint Lead Managers and to be fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement). Further information about the Underwriters and the underwriting arrangements is contained in the section headed "Underwriting" in this prospectus.

UNDERWRITING

UNDERWRITERS

Halcyon Securities Limited

Ping An Securities Limited

Pacific Foundation Securities Limited

Astrum Capital Management Limited

Finet Securities Limited

UNDERWRITING ARRANGEMENTS

Placing

Pursuant to the Underwriting Agreement, our Company is offering 100,000,000 Placing Shares for subscription by way of Placing at the Placing Price on and subject to the terms and conditions of this prospectus.

Subject to the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued, and to certain other conditions described in the Underwriting Agreement (including the Joint Bookrunners, on behalf of the Underwriters, and us agreeing to the Placing Price), the Underwriters have agreed severally to subscribe, or procure subscribers to subscribe, for the Placing Shares which are being offered but are not taken up under the Placing on the terms and subject to the conditions of this prospectus.

Grounds for termination

The obligations of the Underwriters to subscribe or procure subscriptions for the Placing Shares under the Underwriting Agreement are subject to termination if, at any time prior to 8:00 a.m. on the Listing Date:

- (a) either (i) there has been a breach in any material respect of any of the representations, warranties, undertakings or provisions of either the Underwriting Agreement by the Company or the Controlling Shareholders; or (ii) any of the representations, warranties and undertakings given by the Company or the Controlling Shareholders in the Underwriting Agreement is (or would when repeated be) untrue, incorrect or misleading in any respect; or
- (b) any statement contained in this prospectus by the Company in connection with the Placing (including any supplement or amendment thereto) was or has become or been discovered to be untrue, incorrect or misleading in any material respect, or any forecasts, expressions of opinion, intention or expectation expressed in this prospectus are not, in all material respects, fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

UNDERWRITING

- (c) any of our reporting accountants, or any of our counsels has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (d) the Company withdraws any of this prospectus (and/or any other documents used in connection with the contemplated subscription of the Placing Shares) or the Placing; or
- (e) any litigation or claim being threatened or instigated against any member of the Group or any Director, any executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any action against any executive Director in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action, which in the opinion of the Joint Bookrunners, will or may make it impracticable or inadvisable for any part of the Underwriting Agreement or the Placing to be performed or implemented as envisaged; or
- (f) any contravention by any member of the Group of the Companies Ordinance, Companies WUMP Ordinance, the SFO or any of the GEM Listing Rules; or
- (g) any event, act or omission which gives or is likely to give rise to any liability of any of the Company or the Controlling Shareholders pursuant to the indemnities given by them under the Underwriting Agreement, as applicable which in the opinion of the Joint Bookrunners, will or may make it impracticable or inadvisable for any part of the Underwriting Agreement or the Placing to be performed or implemented as envisaged; or
- (h) any breach of any of the obligations of the Company or the Controlling Shareholders under the Underwriting Agreement which in the opinion of the Joint Bookrunners, will or may make it impracticable or inadvisable for any part of the Underwriting Agreement or the Placing to be performed or implemented as envisaged; or
- (i) the issue or requirement to issue by the Company of a supplementary prospectus pursuant to the Companies WUMP Ordinance or the GEM Listing Rules in circumstances where the matter to be disclosed is, in the sole opinion of the Joint Bookrunners, materially adverse to the marketing for or implementation of the Placing and such termination right to expire upon the Joint Bookrunners consent to issuance of the relevant supplementary prospectus; or
- (j) any change or development involving a prospective change in the business, assets, liabilities, conditions, business affairs, prospects, profits, losses or the financial or trading position or performance or management of the Company and its subsidiaries taken as a whole; or

UNDERWRITING

- (k) any matter that has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute a material omission therefrom; or
- (l) there will have developed, occurred, happened or come into effect any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or representing a change or development, or prospective change or development, concerning or relating to:
 - (i) any local, national, regional or international financial, political, economic, legal, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets and interbank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, or the Cayman Islands (each a “**Relevant Jurisdiction**”); or
 - (ii) any new law or regulation or any change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting a Relevant Jurisdiction; or
 - (iii) (A) any event or series of events in the nature of force majeure (including, without limitation, acts of government, economic sanctions, strikes or lock-outs (whether or not covered by insurance), riots, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease, accident or interruption or delay in transportation), or (B) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other declaration of a national or international state of emergency or calamity or crisis, in the case of either (A) or (B), in or affecting a Relevant Jurisdiction; or
 - (iv) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange or the Shenzhen Stock Exchanges or (B) a general moratorium on commercial banking activities in a Relevant Jurisdiction or any other relevant jurisdiction, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, in the case of either (A) or (B), in or affecting a Relevant Jurisdiction; or
 - (v) any taxation or any exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment regulations) in a Relevant Jurisdiction adversely affecting an investment in the Shares; or

UNDERWRITING

- (vi) a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group,

and which, with respect to any of clauses (i) through (vi) above, individually or in the aggregate in the absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Underwriters):

- (A) is, will be or may be materially adverse to the general affairs, management, business or financial or trading position or prospects of the Company or the Group as a whole or to any present or prospective Shareholders of the Company in its capacity as such; or
- (B) has, will have or may have an adverse effect on the success of the Placing or the level of Placing Shares being applied for or accepted or subscribed for or purchased or the distribution of Placing Shares and/or make it impracticable, inadvisable or inexpedient for any material part of the Underwriting Agreement or the Placing to be performed or implemented as envisaged; or
- (C) makes or may make it impracticable, inadvisable or inexpedient to proceed with or to market the Placing or the delivery of the Placing Shares on the terms and in the manner contemplated by this prospectus,

then the Joint Bookrunners, (for themselves and on behalf of the Underwriters) in their sole and absolute discretion, may terminate the Underwriting Agreement with immediate effect.

UNDERTAKINGS PURSUANT TO THE UNDERWRITING AGREEMENT

Undertaking by our Company

We have undertaken to each of the Sponsor, the Joint Lead Managers and the Underwriters pursuant to the Underwriting Agreement that, except pursuant to the Capitalisation Issue, the Placing or grant of options or issue of our Shares upon exercise of such options pursuant to the Share Option Scheme, we will not without the prior written consent of the Sponsor and the Joint Bookrunners and unless in compliance with the requirements of the GEM Listing Rules, at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Stock Exchange (“**First Six-month Period**”), offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option

UNDERWRITING

or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our share capital, debt capital or other securities or any interest therein, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise.

Undertaking by the Controlling Shareholders, Ms. Grace Lam and Mr. Ramond Ching

Each of the Controlling Shareholders, pursuant to the Underwriting Agreement, has agreed and undertaken to the Sponsor, the Joint Bookrunners, our Company and the Underwriters that,

- (a) at any time during the First Six-Month Period, except pursuant to the Placing, it will not, without the prior written consent of the Joint Bookrunners and unless in compliance with the requirements of the GEM Listing Rules:
 - (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, cause the Company to repurchase, any of the share or debt capital or other securities of the Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein whether now owned or hereinafter acquired, owned directly by the Controlling Shareholders (including holding as a custodian) or with respect to which the Controlling Shareholders have beneficial ownership (collectively the “**Lock-up Shares**”) (the foregoing restriction is expressly agreed to preclude the Controlling Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively except otherwise allowed under Rule 13.18 of the GEM Listing Rules;

Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or

UNDERWRITING

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
 - (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
 - (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i) or (ii) or (iii) above, whether any such transaction described in paragraph (i) or (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- (b) at any time in the six month period commencing from the expiry of the First Six-month Period (“**Second Six-month Period**”), she/it will not enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances or any other transactions, the Controlling Shareholders will cease to be a controlling shareholder (as the term is defined in the GEM Listing Rules) of the Company;
- (c) until the expiry of the Second Six-Month Period, in the event that she/it enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, she/it will take all reasonable steps to ensure that this will not create a disorderly or false market in the securities of the Company; and
- (d) at any time during the First Six-Month Period or the Second Six-Month Period (where applicable), (i) the Controlling Shareholders will, if she/it pledges or charges any Shares or other securities of the Company in respect of which she/it is the beneficial owner, immediately inform the Company, the Joint Bookrunners and, if required, the Stock Exchange of any such pledges or charges and the number of Shares or other securities of the Company so pledged or charged, and (ii) the Controlling Shareholders will, if she receives any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of the Company that such Shares or other securities of the Company will be disposed of, immediately inform us, the Joint Bookrunners and, if required, the Stock Exchange of any such indication.

Pursuant to the Underwriting Agreement, each of Ms. Grace Lam and Mr. Ramond Ching has also agreed (on a voluntary basis and which is not required by the GEM Listing Rules nor requested by the Stock Exchange) to give in favour of the Joint Bookrunners and the Underwriters non-disposal undertakings for the First Six-Month Period on terms substantially similar to those set out in sub-paragraph (a) above in respect of the Shares held by the respective BVI Inv Vehicles.

UNDERWRITING

COMMISSION AND EXPENSES

The Underwriters will receive a total of (a) an underwriting commission of 6% of the aggregate Placing Price payable for the Placing Shares and (b) a coordination fee of HK\$1,700,000 in connection with the underwriting. We will bear the underwriting commission, coordination fee, SFC transaction levy and Stock Exchange trading fee payable by us in connection with the issue of the new Shares together with any applicable fees relating to the Placing.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Placing are estimated to amount to approximately HK\$28.9 million in total (based on the mid-point of our indicative price range for the Placing, being HK\$0.575 per Placing Share).

SPONSOR'S, JOINT LEAD MANAGERS' AND UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sponsor will receive a sponsorship fee. The Underwriters will receive an underwriting commission and a coordination fee. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission and expenses" in this section of the prospectus.

Our Company will appoint the Sponsor as its compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, or until the compliance adviser agreement is otherwise terminated in accordance with its terms and conditions.

Save for the obligations and the interests under the Underwriting Agreement as disclosed above, none of the Sponsor, the Joint Lead Managers nor the Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Placing, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling its obligations under the Underwriting Agreement.

STAMP TAXES

Buyers of Placing Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Placing Price.

UNDERWRITING

INDEMNITY

Our Company and the Controlling Shareholders have agreed to jointly and severally indemnify the Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreement and any breach by us or the executive Directors or the Controlling Shareholders of the Underwriting Agreement as the case may be.

SPONSOR'S INDEPENDENCE

The Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE PLACING

THE PLACING

The 100,000,000 Placing Shares are being offered in the Placing, representing 25% of our Company's enlarged share capital immediately after the completion of the Placing.

Halcyon Securities Limited, Ping An Securities Limited and Pacific Foundation Securities Limited are the Joint Bookrunners, and they together with Astrum Capital Management Limited and Finet Securities Limited are the Joint Lead Managers of the Placing. A total of 100,000,000 Placing Shares will be offered under the Placing, which will be conditionally placed with professional, institutional and other investors. The Placing is fully underwritten by the Underwriters, subject to the terms and conditions of the Underwriting Agreement.

It is expected that the Underwriters or selling agents nominated by them on behalf of our Company will conditionally place the Placing Shares at the Placing Price with professional, institutional and other investors. Such professional and institutional 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 the Placing Shares to investors pursuant to the Placing will be effected in accordance with the "book-building" process, undertaken by the Underwriters. Final allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Placing Shares after the Listing. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a broad shareholder base for the benefit of our Company and its Shareholders as a whole.

CONDITIONS OF THE PLACING

Acceptance of all applications for the Placing Shares is conditional upon, *inter alia*:

(a) Listing

The Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

(b) Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement becoming unconditional in all respects. This requires that (i) the Underwriting Agreement is not terminated in accordance with its terms or otherwise prior to 8:00 a.m. on the Listing Date, which is expected to be on Thursday, 12 February 2015 and (ii) all other conditions set out in the Underwriting Agreement are fulfilled, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent the deadlines for fulfillment of such conditions are extended or such conditions are validly waived on or before such dates and times).

STRUCTURE AND CONDITIONS OF THE PLACING

(c) Price Determination Agreement

The Price Determination Agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) is expected to be entered into on or before the Price Determination Date. The Placing Price is expected to be fixed by the Price Determination Agreement.

If such conditions have not been fulfilled or waived by the Sponsor and/or the Joint Bookrunners (for themselves and on behalf of the Underwriters) prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.odella.com on the next business day following such lapse.

BASIS OF ALLOCATION

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to purchase further Shares or hold or sell the Shares after the listing of the Shares on GEM. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional, and institutional shareholder base to the benefit of our Company and the Shareholders as a whole. In particular, Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that no more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public shareholder. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

No allocation will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without prior written consent of the Stock Exchange. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

PLACING PRICE

The Placing Price will not be more than HK\$0.60 per Placing Share (and expected to be not less than HK\$0.55 per Placing Share). Subscribers, when subscribing for the Shares, shall pay the Placing Price plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. Assuming the Placing Price of HK\$0.60 or HK\$0.55 per Share (being the highest and lowest prices of indicative Placing Price range respectively), investors shall pay HK\$3,030.23 or HK\$2,777.71 respectively for every board lot of 5,000 Shares.

The Placing Price will be fixed by an agreement expected to be entered into between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date which is scheduled on or about Friday, 6 February 2015 at or before 5:00 p.m. (or such later time and/or date as agreed between our Company and the Joint Bookrunners). If our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price by the Price Determination Date or such date or

STRUCTURE AND CONDITIONS OF THE PLACING

time as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), or the Price Determination Agreement is not signed, the Placing will not become unconditional and will lapse.

Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Placing Price stated in this prospectus.

PRICE PAYABLE ON APPLICATION

Applicants shall have to pay on application the maximum Placing Price of HK\$0.60 per Placing Share plus 1% brokerage fee, a SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005% amounting to a total of HK\$3,030.23 per board lot of 5,000 Shares.

DEALING ARRANGEMENTS

Dealings in the Shares on GEM are expected to commence on Thursday, 12 February 2015. The Shares will be traded in board lots of 5,000 each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

In respect of the dealings in the Shares which may be settled through CCASS, investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31st Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

5 February 2015

The Directors
Odella Leather Holdings Limited
Halcyon Capital Limited

Dear Sirs,

We report on the financial information of Odella Leather Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”), which comprises the combined statement of financial position as at 30 June 2013 and 2014 and 30 September 2014, the statement of financial position of the Company as at 30 September 2014 and the combined statement of profit or loss, the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for each of the years ended 30 June 2013 and 2014 and the three months ended 30 September 2014 (the “Relevant Periods”), and a summary of significant accounting policies and other explanatory information (the “Financial Information”). This Financial Information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 5 February 2015 (the “Prospectus”) in connection with the initial listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 3 September 2014 as an exempted company with limited liability. Pursuant to a group reorganisation as described in note 1 of Section II headed “Reorganisation” below, which was completed on 4 December 2014, the Company became the holding company of the subsidiaries now comprising the Group (the “Reorganisation”).

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory

audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in note 1 of Section II.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Opinion in respect of the Financial Information

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 30 September 2014, and of the combined state of affairs of the Group as at 30 June 2013 and 2014 and 30 September 2014 and of the Group's combined profit and cash flows for the Relevant Periods then ended.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the combined statement of profit or loss, the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flow for the three months ended 30 September 2013 and a summary of significant accounting policies and other explanatory information (the “Stub Period Comparative Financial Information”).

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in note 4 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 4 of Section II below.

I. FINANCIAL INFORMATION OF THE GROUP

The following is the Financial Information of the Group prepared by the directors of the Company for each of the years ended 30 June 2013 and 2014 and each of the three months ended 30 September 2013 and 2014 and as at 30 June 2013 and 2014 and 30 September 2014.

(a) Combined Statement of Profit or Loss

	<i>Section II</i> <i>Notes</i>	Year ended 30 June		Three months ended 30 September	
		2013	2014	2013	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Revenue	7	53,607	80,586	25,804	22,244
Cost of sales		<u>(34,700)</u>	<u>(53,217)</u>	<u>(17,252)</u>	<u>(12,340)</u>
Gross profit		18,907	27,369	8,552	9,904
Other revenue and other income	8	139	110	3	2
Selling and distribution expenses		(1,899)	(2,478)	(911)	(735)
Administration expenses		(8,398)	(9,295)	(2,302)	(6,613)
Finance costs	10	<u>(10)</u>	<u>(14)</u>	<u>(14)</u>	<u>(12)</u>
Profit before tax	9	8,739	15,692	5,328	2,546
Income tax expense	11	<u>(1,611)</u>	<u>(2,796)</u>	<u>(918)</u>	<u>(1,224)</u>
Profit for the year/period		<u>7,128</u>	<u>12,896</u>	<u>4,410</u>	<u>1,322</u>
Profit for the year/period attributable to owners of the Company		<u>7,128</u>	<u>12,896</u>	<u>4,410</u>	<u>1,322</u>
Earnings per share attributable to owners of the Company					
Basic and diluted earnings per share (HK cents)	14	<u>2.38</u>	<u>4.30</u>	<u>1.47</u>	<u>0.44</u>

Details of the dividends are set out in note 13 of Section II below.

(b) Combined Statement of Profit or Loss and Other Comprehensive Income

	Year ended 30 June		Three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(Unaudited)</i>	
Profit for the year/period	7,128	12,896	4,410	1,322
Other comprehensive (expenses)/income				
<i>Items that may be reclassified subsequently to combined statement of profit or loss:</i>				
Exchange differences on translation of foreign operations	(1)	8	(2)	(3)
Other comprehensive (expenses)/ income for the year/period	(1)	8	(2)	(3)
Total comprehensive income for the year/period	<u>7,127</u>	<u>12,904</u>	<u>4,408</u>	<u>1,319</u>
Total comprehensive income for the year/period attributable to owners of the Company	<u>7,127</u>	<u>12,904</u>	<u>4,408</u>	<u>1,319</u>

(c) Combined Statement of Financial Position

		At 30 June		At 30 September
		2013	2014	2014
		HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	15	281	283	258
Deferred tax assets	16	5	4	4
		<u>286</u>	<u>287</u>	<u>262</u>
Current assets				
Inventories	17	10,735	8,236	3,555
Trade receivables	18	10,230	9,806	6,567
Deposits, prepayments and other receivables	19	958	431	732
Cash and cash equivalents	20	<u>5,702</u>	<u>15,133</u>	<u>24,013</u>
		<u>27,625</u>	<u>33,606</u>	<u>34,867</u>
Current liabilities				
Trade payables	21	3,978	1,811	338
Accruals, other payables and trade deposits received	22	4,632	5,918	6,108
Amounts due to directors	23	4,978	4,824	4,800
Dividend payable	13	6,000	—	—
Bank borrowing	24	2,066	—	—
Tax payable		<u>1,811</u>	<u>3,990</u>	<u>5,214</u>
		<u>23,465</u>	<u>16,543</u>	<u>16,460</u>
Net current assets		<u>4,160</u>	<u>17,063</u>	<u>18,407</u>
Total assets less current liabilities		<u>4,446</u>	<u>17,350</u>	<u>18,669</u>
Net assets		<u>4,446</u>	<u>17,350</u>	<u>18,669</u>
Equity				
Capital and reserves attributable to owners of the Company				
Share capital	25	200	200	201
Reserves	26	<u>4,246</u>	<u>17,150</u>	<u>18,468</u>
Total equity		<u>4,446</u>	<u>17,350</u>	<u>18,669</u>

(d) Combined Statement of Changes in Equity

	Attributable to owners of the Company						Total HK\$'000
	Share capital	Statutory reserve	Exchange fluctuation reserve	Other reserve	Retained earnings	Reserves Sub-total	
	HK\$'000	HK\$'000 (note 26(i))	HK\$'000 (note 26(ii))	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2012	200	33	172	—	2,914	3,119	3,319
Profit for the year	—	—	—	—	7,128	7,128	7,128
Other comprehensive expenses for the year	—	—	(1)	—	—	(1)	(1)
Total comprehensive (expenses)/income for the year	—	—	(1)	—	7,128	7,127	7,127
Appropriation of statutory reserve	—	3	—	—	(3)	—	—
Interim dividend	—	—	—	—	(6,000)	(6,000)	(6,000)
At 30 June 2013 and at 1 July 2013	200	36	171	—	4,039	4,246	4,446
Profit for the year	—	—	—	—	12,896	12,896	12,896
Other comprehensive income for the year	—	—	8	—	—	8	8
Total comprehensive income for the year	—	—	8	—	12,896	12,904	12,904
Appropriation of statutory reserve	—	12	—	—	(12)	—	—
At 30 June 2014	200	48	179	—	16,923	17,150	17,350

	Attributable to owners of the Company						Total HK\$'000
	Share capital	Statutory reserve	Exchange fluctuation reserve	Other reserve	Retained earnings	Reserves Sub-total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		(note 26(i))	(note 26(ii))				
At 30 June 2014 and at 1 July 2014	200	48	179	—	16,923	17,150	17,350
Profit for the period	—	—	—	—	1,322	1,322	1,322
Other comprehensive expenses for the period	—	—	(3)	—	—	(3)	(3)
Total comprehensive (expenses)/income for the period	—	—	(3)	—	1,322	1,319	1,319
Issue of share on group reorganisation	1	—	—	(1)	—	(1)	—
At 30 September 2014	<u>201</u>	<u>48</u>	<u>176</u>	<u>(1)</u>	<u>18,245</u>	<u>18,468</u>	<u>18,669</u>
At 1 July 2013	200	36	171	—	4,039	4,246	4,446
Profit for the period	—	—	—	—	4,410	4,410	4,410
Other comprehensive expenses for the period	—	—	(2)	—	—	(2)	(2)
Total comprehensive (expenses)/income for the period	—	—	(2)	—	4,410	4,408	4,408
At 30 September 2013 (unaudited)	<u>200</u>	<u>36</u>	<u>169</u>	<u>—</u>	<u>8,449</u>	<u>8,654</u>	<u>8,854</u>

(e) Combined Statement of Cash Flows

	Year ended 30 June		Three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Cash flows from operating activities				
Profit before tax	8,739	15,692	5,328	2,546
Adjustments for:				
Interest income	(2)	(4)	—	(1)
Interest expenses	10	14	14	12
Depreciation	115	122	28	34
Gain on disposal of items of property, plant and equipment	(1)	—	—	—
Written off of trade receivables	111	—	—	—
Inflow from operation before working capital changes	8,972	15,824	5,370	2,591
(Increase)/decrease in inventories	(6,987)	2,497	5,503	4,686
(Increase)/decrease in trade receivables	(5,728)	424	6,565	3,239
(Increase)/decrease in deposits, prepayments and other receivables	(256)	525	167	(299)
Decrease in trade payables	(584)	(2,166)	(3,669)	(1,473)
Increase in accruals, other payables and trade deposits received	1,987	1,308	2,572	174
Cash (used in)/generated from operations	(2,596)	18,412	16,508	8,918
Interest received	2	4	—	1
Net income tax refund/(paid)	29	(615)	7	—
Net cash flows (used in)/generated from operating activities	<u>(2,565)</u>	<u>17,801</u>	<u>16,515</u>	<u>8,919</u>
Cash flows from investing activities				
Purchases of items of property, plant and equipment	(83)	(124)	(23)	(8)
Proceed from disposal of item of property, plant and equipment	2	—	—	—
Net cash flows used in investing activities	<u>(81)</u>	<u>(124)</u>	<u>(23)</u>	<u>(8)</u>

	Year ended 30 June		Three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Cash flows from financing activities				
Proceeds from bank borrowings	7,088	2,593	1,979	406
Repayment of bank borrowings	(5,354)	(4,659)	(4,045)	(406)
Increase/(decrease) in amounts due to directors	219	(154)	—	(24)
Dividend paid	—	(6,000)	—	—
Interest paid	(10)	(14)	(14)	(12)
Net cash flows generated from/(used in) financing activities	<u>1,943</u>	<u>(8,234)</u>	<u>(2,080)</u>	<u>(36)</u>
Net (decrease)/increase in cash and cash equivalents	(703)	9,443	14,412	8,875
Cash and cash equivalents at the beginning of the year/period	6,402	5,702	5,702	15,133
Effect of foreign exchange rate changes, net	<u>3</u>	<u>(12)</u>	<u>1</u>	<u>5</u>
Cash and cash equivalents at the end of the year/period	<u>5,702</u>	<u>15,133</u>	<u>20,115</u>	<u>24,013</u>
Cash and cash equivalents as stated in the combined statement of financial position	<u>5,702</u>	<u>15,133</u>	<u>20,115</u>	<u>24,013</u>

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION OF THE GROUP AND REORGANISATION

(a) General information of the Group

The Company was incorporated in the Cayman Islands on 3 September 2014 as an exempted company with limited liability. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is Unit 1701, Treasure Centre, 42 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sales of leather products.

(b) Reorganisation

The principal business of the Group was previously carried out by Perline Company Limited ("Perline"), a subsidiary of the Company in Hong Kong. Perline was owned by Ms. Cheung Woon Yiu as to 68%, Ms. Lam Wai Si Grace as to 17% and Mr. Ching Wai Man as to 15%. In preparation for the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing"), the Group underwent a reorganisation (the "Reorganisation") in 2014 as set out below.

- (i) Quality Century Limited ("BVI-Cheung"), Design Vanguard Limited ("BVI-Lam") and Olson Global Limited ("BVI-Ching") (collectively referred as the "BVI Inv Vehicles") were incorporated in the British Virgin Islands ("BVI") on 2 July 2014, 3 July 2014 and 27 May 2014 respectively are solely owned by Ms. Cheung Woon Yiu, Ms. Lam Wai Si Grace and Mr. Ching Wai Man (the "Individual Owners") respectively.
- (ii) On 3 September 2014, the Company was incorporated in the Cayman Islands as an exempted company with limited liability, with an authorised share capital of HK\$1,000,000 divided into 100,000,000 shares of HK\$0.01 each. On 3 September 2014, one share of HK\$0.01 was allotted and issued, nil paid, to Sharon Pierson (an officer of Codan Trust Company (Cayman) Limited, the provider of registered office of the Company), which was transferred to BVI-Cheung on the same date. On 3 September 2014, the Company further allotted and issued 999,999 shares, nil paid, to BVI-Cheung, BVI-Lam and BVI-Ching.
- (iii) On 11 September 2014, Odella International Limited ("Odella BVI") was incorporated in BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 11 September 2014, 100 shares in Odella BVI were issued to the Company, and the subscription price of each share was US\$1 (i.e. the par value of such share).
- (iv) By an agreement (the "Share Swap Agreement") dated 4 December 2014 and made between, among others, (i) Odella BVI as purchaser; (ii) the Company (as holding company of Odella BVI); (iii) the Individual Owners as sellers and warrantors; and (iv) the BVI Inv Vehicles as nominees of the respective Individual Owners to hold the consideration shares, Odella BVI agreed to acquire from the Individual Owners the entire issued share capital in Perline. In consideration of and in exchange for such acquisition, the Company credited as fully paid the 1,000,000 nil-paid shares which were first issued on 3 September 2014, and issued to the BVI Inv Vehicles 9,000,000 new shares (and such new shares were issued to BVI-Cheung, BVI-Lam and BVI-Ching (as nominated by the Individual Owners) in the proportion of 68%, 17% and 15% respectively), all credited as fully paid. On completion, Odella BVI became the sole shareholder of Perline, and the number of issued shares in the Company was increased to 10,000,000. The shareholding percentage of BVI-Cheung, BVI-Lam and BVI-Ching in the Company remained the same immediately before and immediately after the completion of the Share Swap Agreement.

As at the date of this report, the Company had direct and indirect interests in the following subsidiaries:

Name of company	Country/ place of incorporation/ operation	Class of share/ registered capital held	Issued and fully paid share capital/ registered or paid-up capital	Proportion of ownership interest and voting rights held by the Company		Principal activities
				Directly %	Indirectly %	
Odella BVI ^(a)	British Virgin Islands	Ordinary	USD100	100	—	Investment holding
Perline ^(b)	Hong Kong	Ordinary	HK\$200,000	—	100	Sales, marketing and development of leather products
佛山市南海盛麗皮衣 有限公司 (Foshan Nanhai Shengli Leather Garment Co. Ltd.) ^(c) and (d)	PRC	Registered	HK\$1,500,000	—	100	Manufacture of various leather products, domestic and foreign trading (restricted items being subject to relevant approval)

Notes:

- (a) No audited financial statements were issued as it is newly incorporated and not required to issue audited financial statements under the statutory requirements of its place of incorporation.
- (b) The statutory financial statements of Perline Company Limited for the year ended 30 June 2013 was prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by Hong Kong Institute of Certified Public Accountants and audited by Elsie Wong & Co., Certified Public Accountants (Practising).
- (c) The statutory financial statements of 佛山市南海盛麗皮衣有限公司 (Foshan Nanhai Shengli Leather Garment Co. Ltd.) for each of the years ended 31 December 2012 and 2013 were prepared in accordance with 企業會計制度 (Accounting System for Business Enterprises*) applicable to the enterprises in the People's Republic of China (the "PRC" or the "Mainland China"). The statutory financial statements for each of the years ended 31 December 2012 and 2013 were audited by 佛山市卓信會計師事務所有限公司 (Foshan Zhuoxin Certified Public Accountants Co., Limited*).
- (d) Wholly foreign-owned enterprise.

* For identification only

2.1 BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, the principal business of the Group remained under the control of Ms. Cheung Woon Yiu, Ms. Lam Wai Si Grace and Mr. Ching Wai Man. The principal business of the Group is conducted through Perline including its subsidiary, 佛山市南海盛麗皮衣有限公司 (Foshan Nanhai Shengli Leather Garment Co. Ltd.). Perline was directly owned by Ms. Cheung Woon Yiu, Ms. Lam Wai Si Grace and Mr. Ching Wai Man immediately prior to the Reorganisation. The Company has not been involved in any business prior to the Reorganisation. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Relevant Periods on 4 December 2014. The Reorganisation were merely reorganisations of the principal business of the Group with no change in management of such business and the ultimate owners of the business. Accordingly for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The combined statement of profit or loss, combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control, where this is a shorter period. The combined statement of financial position of the Group's subsidiaries as at 30 June 2013 and 2014 and 30 September 2014 have been prepared to present the assets and liabilities of the subsidiaries using the existing carrying values of the principal business of the Group for all Relevant Periods presented. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination in full.

2.2 BASIS OF PREPARATION

The Financial Information of the Company has been prepared in accordance with HKFRSs which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 July 2014, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods. The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Hong Kong dollars ("HK\$" or "HKD") and all values are rounded to the nearest thousand ("HK\$000") except when otherwise indicated.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 6 below.

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective for the accounting period commencing from 1 July 2014.

HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ⁴
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions ²
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements ⁴
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities ¹
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets ¹
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle ³
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle ²
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle ⁴
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁸
HKFRS 9 (As revised in 2014)	Financial Instruments ⁷
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39 ⁷
HKFRS 10, HKFRS 12 and HKAS 27 (As revised in 2011) (Amendments)	Investment Entities ¹
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interest in Joint Operations ⁴
HKFRS 14	Regulatory Deferral Accounts ⁵
HKFRS 15	Revenue from Contracts with Customers ⁶
HK(IFRIC)-Int 21	Levies ¹

- ¹ Effective for annual periods beginning on or after 1 January 2014.
- ² Effective for annual periods beginning on or after 1 July 2014.
- ³ Effective for annual periods beginning on or after 1 July 2014 with limited exceptions.
- ⁴ Effective for annual periods beginning on or after 1 January 2016.
- ⁵ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
- ⁶ Effective for annual periods beginning on or after 1 January 2017.
- ⁷ Effective for annual periods beginning on or after 1 January 2018.
- ⁸ No mandatory effective date yet determined but is available for adoption.

Management is in the process of making an assessment of the impact of these new standards, amendments to existing standards and interpretations on the financial statements of the Group upon the initial application. The adoption of above is not expected to have a material effect on the Group's operating results or financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods presented.

4.1 Subsidiaries

4.1.1 Combination

This Financial Information includes the financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods. As explained in note 2.1 of Section II above, the acquisition of subsidiaries under common control has been accounted for using the merger accounting.

The merger method of accounting involves incorporating the financial statement items of the combining subsidiaries in which the common control combination occurs as if they had been combined from the date when the combining subsidiaries first came under the control of the controlling party.

No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

The combined statement of profit or loss include the results of each of the combining subsidiaries from the earliest date presented or since the date when the combining subsidiaries first came under common control, where this is a shorter period, regardless of the date of the common control combination. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All significant intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii)

the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

4.1.2 Investments in subsidiaries

A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current liabilities to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual agreement with the other vote holders of the investee;
- (b) rights arising from other contractual agreement; and
- (c) the Group's voting rights and potential voting rights.

4.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors, Ms. Cheung Woon Yiu, Ms. Lam Wai Si Grace and Mr. Ching Wai Man (the "Management") that makes strategic decisions.

4.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These combined financial statements are presented in HK\$, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

On combination, exchange differences arising from the translation of the net investment in foreign operations, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, corresponding exchange differences that are recorded in other comprehensive income are recognised in the profit or loss as part of the gains or losses on sale.

4.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Machinery and equipment	10%–20%
Furniture, fixtures and office equipment	20%–50%
Motor vehicles	10%–30%
Leasehold improvements	50% or over the lease term, whichever is shorter

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit or loss.

4.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of an impairment at each reporting date.

4.6 Financial assets and financial liabilities

4.6.1 Financial assets

(i) Classification

The Group classifies its financial assets under the category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables, deposits and other receivables and cash and cash equivalents in the combined statement of financial position.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(iii) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined statement of profit or loss.

4.6.2 *Financial liabilities*

(i) *Classification*

The Group classifies its financial liabilities under the category of loans and borrowing. The classification depends on the substance of the contractual arrangements and the definitions of a financial liability. Management determines the classification of its financial liabilities at initial recognition.

Loans and borrowing are non-derivative financial liabilities. They are included in current liabilities, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current liabilities. The Group's loans and borrowing comprise trade payables, accruals and other payables, amounts due to directors and bank borrowing in the combined statement of financial position.

(ii) *Subsequent measurement*

Loans and borrowing

After initial recognition, interest-bearing loans and borrowing are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the combined statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is recognised in the combined statement of profit or loss.

(iii) *Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the combined statement of profit or loss.

(iv) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.7 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs.

4.8 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

4.9 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks. Restricted bank deposits are excluded from cash and cash equivalents.

4.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.11 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.12 Borrowing

Borrowing is recognised initially at fair value, net of transaction costs incurred. Borrowing is subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowing using the effective interest method.

Borrowing is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

4.13 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.14 Current and deferred income tax

The income tax expense for the year comprises current and deferred income tax.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax assets

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business consolidation that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4.15 Employee benefits**(a) Pension Schemes**

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the combined statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group entity in the Mainland China participates in defined contribution retirement benefit plans (including Housing Provident Fund) organised by relevant government authorities for its employees in the Mainland China and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group has no further obligation for post-employment benefits beyond the contributions made. The Group's contributions to these plans are charged to the combined statement of profit or loss as incurred.

4.16 Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, after allowances for returns. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Sales of goods

Revenue from the sales of goods is recognised when the risk and reward of the goods has been transferred to the customer, which is usually when the Group has delivered the products to the customer, the collectability of the related receivables is reasonably assumed and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(b) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.18 Leases

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the combined statement of profit or loss on a straight-line basis over the period of the lease.

4.19 Dividend distribution

Dividend distribution to the owners is recognised as a liability in the Group's combined financial statements in the period in which the dividends are approved by the owners.

4.20 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint ventures of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

5. FINANCIAL INSTRUMENTS**5.1 Categories of financial instruments**

	At 30 June		At
	2013	2014	30 September
	HK\$'000	HK\$'000	2014
			HK\$'000
Financial assets			
Loans and receivables (including cash and cash equivalents)	<u>16,132</u>	<u>25,248</u>	<u>30,784</u>
Financial liabilities			
Amortised cost	<u>12,403</u>	<u>9,669</u>	<u>9,092</u>

5.2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign currency risk

The Group is mainly exposed to foreign exchange risk arising from future commercial transactions, and from recognised assets and liabilities. The Group is mainly exposed to foreign exchange risk in respect of exchange fluctuation of HK\$ against United States dollars ("USD"), Renminbi ("RMB"), Australian dollars ("AUD") and Euro ("EUR"). The Group does not hedge its foreign exchange risk during the Relevant Periods.

As HK\$ is pegged to USD, it is assumed that there would be no material foreign exchange risk exposure between USD and HK\$ and therefore USD is excluded from the analysis below.

As at 30 June 2013 and 2014 and 30 September 2013 and 2014, if HK\$ had reasonably strengthened/weakened by 5% against RMB, AUD and EUR with all other variables held constant, the profit before tax for each of the years/periods then ended would have changed mainly as a result of foreign exchange gains/losses on translation of HK\$ denominated monetary assets and liabilities.

Details of the changes are as follows:

	Year ended 30 June		Three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Profit before tax increase/(decrease):				
— HK\$ strengthened 5% against RMB	138	(32)	116	(32)
— HK\$ weakened 5% against RMB	(138)	32	(116)	32
— HK\$ strengthened 5% against AUD	(3)	(3)	(1)	(3)
— HK\$ weakened 5% against AUD	3	3	1	3
— HK\$ strengthened 5% against EUR	6	(55)	1	(42)
— HK\$ weakened 5% against EUR	(6)	55	(1)	42

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Except for cash and cash equivalents, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of cash and cash equivalents are not expected to change significantly.

The Group's interest-rate risk arises from borrowing. Borrowing obtained at variable rates expose the Group to cash flow interest rate risk. Borrowing obtained at fixed rates expose the Group to fair value interest-rate risk. The Group does not hedge its cash flow and fair value interest rate risk. The interest rates and terms of repayments of borrowing are disclosed in note 24.

For variable rate borrowing, details of the changes are as follows:

	Year ended 30 June		Three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Profit before tax increase/(decrease):				
— 50 basis point decrease				
in interest rate	10	—	—	—
— 50 basis point increase				
in interest rate	(10)	—	—	—

(iii) *Price risk*

Leather is the main raw materials for the Group's production. They account for a substantial portion of the Group's costs of sales. The prices of leather is affected by various factors which are beyond the control of the Group, such as changes in government policies, the supply-demand relation and other unexpected events. The fluctuations of the price may have favourable or unfavourable impacts on the Group. The Group monitors the changes in the market price of leather. The Group did not enter into any hedging of its price risk during the Relevant Periods.

(b) *Credit risk*

Credit risk mainly arises from cash and cash equivalents and trade receivables.

The Group has no significant concentrations of credit risk due to the customers' base being large and unrelated. The carrying amounts of cash and cash equivalents and trade receivables included in the combined financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets. As at 30 June 2013 and 2014 and 30 September 2014, all cash and cash equivalents were deposited into highly reputable and sizable banks without significant credit risk. Majority of the Group's sales are based on letters of credit and advances before delivery, and the remaining sales are made with credit term. Credit will only be granted to selected customers with long-term relationship and good credit history. The Group performs ongoing credit evaluations of its customers' financial conditions and has policies in place to ensure that trade receivables are followed up on a timely basis.

(c) *Liquidity risk*

Cash flow is managed at group level by the Management. The Management monitors the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs at all times and does not breach borrowing limits or covenants on any of its borrowing facilities. The Management usually takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

At 30 June 2013						
	Effective interest rate	On demand or within 1 year	Within 2–5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities						
Trade payables	—	3,978	—	—	3,978	3,978
Accruals and other payables	—	1,381	—	—	1,381	1,381
Bank borrowing	—	2,066	—	—	2,066	2,066
Amounts due to directors	—	4,978	—	—	4,978	4,978
	—	12,403	—	—	12,403	12,403
At 30 June 2014						
	Effective interest rate	On demand or within 1 year	Within 2–5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities						
Trade payables	—	1,811	—	—	1,811	1,811
Accruals and other payables	—	3,034	—	—	3,034	3,034
Amounts due to directors	—	4,824	—	—	4,824	4,824
	—	9,669	—	—	9,669	9,669
At 30 September 2014						
	Effective interest rate	On demand or within 1 year	Within 2–5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities						
Trade payables	—	338	—	—	338	338
Accruals and other payables	—	3,954	—	—	3,954	3,954
Amounts due to directors	—	4,800	—	—	4,800	4,800
	—	9,092	—	—	9,092	9,092

5.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holder, return capital to equity holder or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity. Total debt is calculated as bank borrowing and amounts due to directors.

The gearing ratios as at 30 June 2013 and 2014 and 30 September 2014 were as follows:

	At 30 June		At 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Total borrowing (<i>notes 23 and 24</i>)	7,044	4,824	4,800
Cash and cash equivalents	(5,702)	(15,133)	(24,013)
Total debt (<i>a</i>)	1,342	(10,309)	(19,213)
Total equity (<i>b</i>)	4,446	17,350	18,669
Gearing ratio (<i>a</i>)/(<i>b</i>)	30%	N/A	N/A

5.4 Fair value estimation

The carrying amount of the Group's financial assets including trade receivables, deposits and other receivables and cash and cash equivalents and financial liabilities including trade payables, accruals and other payables, amounts due to directors and bank borrowing are assumed to approximate their fair values due to their short-term maturities or related liabilities being charged at interest rates approximately to that of market. The carrying values less any estimated credit adjustments for financial assets with a maturity of less than one year are a reasonable approximation of their fair values.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The Group's Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of trade and other receivables

The Group's Management estimates the provision of impairment of trade and other receivables by assessing their recoverability. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivables and impairment charge in the period in which such estimate has been changed.

(c) Net realisable value of inventories

The Group's Management estimates the provision of impairment of inventories by assessing their net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale. Provisions are applied to inventories where events or changes in circumstances indicate that the inventory cost may exceed the net realisable value and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of inventories and impairment charge in the period in which such estimate has been changed.

(d) Current income tax and deferred income tax

The Group is mainly subject to income tax in Hong Kong and the PRC. Significant judgement is required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and provisions in the year in which such determination is made.

Deferred income tax assets and liabilities are determined using income tax rates that are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled. The expected applicable income tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group. The Management will revise the expectation where the final income tax rate is different from the original expectation.

7. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of leather products sold, after allowances for returns.

	Year ended		Three months ended	
	30 June		30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Sales of leather products	<u>53,607</u>	<u>80,586</u>	<u>25,804</u>	<u>22,244</u>

The chief operating decision-maker has been identified as the Management. The Management reviews the Group's internal reporting in order to assess performance and allocate resources. The Group focuses primarily on manufacturing and sales of leather products during the Relevant Periods. Information reported to the chief operating decision-maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Information about major customers

Revenue from customer contributing over 10% of the total revenue of the Group during the Relevant Period are as follows:

	Year ended 30 June		Three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Customer A	9,791	18,267	6,148	2,570
Customer B	*	13,099	4,858	2,138
Customer C	*	10,289	4,535	6,022
Customer D	*	*	3,244	*

* The corresponding revenue did not contribute over 10% of the total sales of the Group for the respective year/period.

Geographical information

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers is based on the location to which the goods are delivered. The geographical location of non-current assets is based on the physical location of the assets excluding deferred tax assets.

Revenue from external customers

	Year ended 30 June		Three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
United States of America	17,282	36,670	13,651	10,755
Australia	14,333	14,713	1,203	2,064
Hong Kong	15,378	13,424	3,118	4,010
Netherlands	2,204	6,477	1,840	776
Malaysia	2,224	4,420	3,344	1,246
Japan	1,213	2,627	1,764	1,967
South Africa	—	466	—	821
Others (<i>Note</i>)	973	1,789	884	605
	<u>53,607</u>	<u>80,586</u>	<u>25,804</u>	<u>22,244</u>

Note: Other countries included the PRC, Canada, Switzerland, United Kingdom, Italy, South Korea, Mexico, Germany, Singapore, New Zealand and Cambodia.

Non-current assets

	At 30 June		At 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Hong Kong	38	54	53
PRC	243	229	205
	<u>281</u>	<u>283</u>	<u>258</u>

8. OTHER REVENUE AND OTHER INCOME

	Year ended 30 June		Three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Interest income	2	4	—	1
Gain on disposal of property, plant and equipment	1	—	—	—
Sales of scrap materials	8	13	3	1
Exchange gains	40	—	—	—
Sundry income	88	93	—	—
	<u>139</u>	<u>110</u>	<u>3</u>	<u>2</u>

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 30 June		Three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Auditors' remuneration	30	100	—	—
Cost of inventories sold	34,700	53,217	17,252	12,340
Depreciation of property, plant and equipment*	115	122	28	34
Exchange (gains)/losses, net	(40)	34	50	119
Written off of trade receivables	111	—	—	—
Operating lease rental in respect of premises	813	993	230	269
Listing expenses	—	—	—	4,230
Staff costs (including directors' remuneration)*:				
— Salaries and bonus	10,300	12,372	3,366	2,974
— Pension scheme contributions	1,306	1,212	370	291
	<u>11,606</u>	<u>13,584</u>	<u>3,736</u>	<u>3,265</u>

* Included in cost of inventories sold for the years ended 30 June 2013 and 2014 and the three months ended 30 September 2013 and 2014 were depreciation charge of approximately HK\$30,000, HK\$43,000, HK\$9,000 and HK\$11,000 respectively and staff costs of approximately HK\$5,173,000, HK\$6,679,000, HK\$1,942,000 and HK\$1,578,000, respectively.

Cost of inventories sold for the years ended 30 June 2013 and 2014 and the three months ended 30 September 2013 and 2014 include cost of inventories recognised as expense of approximately HK\$28,742,000, HK\$45,597,000, HK\$15,018,000 and HK\$10,517,000 respectively.

10. FINANCE COSTS

Year ended 30 June		Three months ended 30 September	
2013	2014	2013	2014
HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>(unaudited)</i>			
Interests on:			
Bank borrowing wholly repayable			
within one year			
	10	14	12

11. INCOME TAX EXPENSE

The income tax expense is as follow:

Year ended 30 June		Three months ended 30 September	
2013	2014	2013	2014
HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>(unaudited)</i>			
Current income tax:			
Hong Kong Profits Tax	1,604	2,734	901
The PRC Enterprise Income Tax	7	61	17
	1,611	2,795	918
Deferred income tax <i>(note 16)</i>	—	1	—
Total income tax expense for the year/period	1,611	2,796	918

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the Relevant Periods.

The PRC Enterprise Income Tax (the "EIT") is provided on the assessable income of entity of the Group incorporated in the PRC. Pursuant to the PRC Corporate Income Tax Law, the EIT is unified at 25% for all types of entities effective from 1 January 2008.

The income tax expense for the Relevant Periods can be reconciled to the profit before tax per the combined statement of profit or loss as follows:

	Year ended 30 June		Three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Profit before tax	8,739	15,692	5,328	2,546
Tax calculated at the rates applicable to profit in the respective tax jurisdictions	1,353	2,515	868	421
Tax effect of:				
Expenses not deductible for tax purpose	275	360	50	803
Income not taxable for tax purpose	—	(80)	—	—
Tax losses utilised from previous periods	(17)	—	—	—
Reversal of previously recognised temporary difference	—	1	—	—
Income tax expense for the year/period	1,611	2,796	918	1,224

12. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' REMUNERATION

Directors' remuneration for each of the Relevant Periods, disclosed pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited is as follows:

Name of directors	Director fee	Salary	Other benefits	Bonus	Pension scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 30 June 2013						
<i>Executive directors</i>						
Ms. Cheung Woon Yiu	—	—	—	—	—	—
Ms. Lam Wai Si Grace	—	520	—	99	15	634
Mr. Ching Wai Man	—	520	—	99	15	634
<i>Non-executive director</i>						
Ms. Ng Lai Hung	—	—	—	—	—	—
	—	1,040	—	198	30	1,268

<u>Name of directors</u>	<u>Director fee</u>	<u>Salary</u>	<u>Other benefits</u>	<u>Bonus</u>	<u>Pension scheme contributions</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 30 June 2014						
<i>Executive directors</i>						
Ms. Cheung Woon Yiu	—	500	—	—	2	502
Ms. Lam Wai Si Grace	—	545	—	134	15	694
Mr. Ching Wai Man	—	545	—	134	15	694
<i>Non-executive director</i>						
Ms. Ng Lai Hung	—	—	—	—	—	—
	—	1,590	—	268	32	1,890

<u>Name of directors</u>	<u>Director fee</u>	<u>Salary</u>	<u>Other benefits</u>	<u>Bonus</u>	<u>Pension scheme contributions</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Three months ended 30 September 2013 (unaudited)						
<i>Executive directors</i>						
Ms. Cheung Woon Yiu	—	125	—	—	—	125
Ms. Lam Wai Si Grace	—	131	—	—	4	135
Mr. Ching Wai Man	—	131	—	—	4	135
<i>Non-executive director</i>						
Ms. Ng Lai Hung	—	—	—	—	—	—
	—	387	—	—	8	395

<u>Name of directors</u>	<u>Director fee</u>	<u>Salary</u>	<u>Other benefits</u>	<u>Bonus</u>	<u>Pension scheme contributions</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Three months ended 30 September 2014						
<i>Executive directors</i>						
Ms. Cheung Woon Yiu	—	125	—	—	4	129
Ms. Lam Wai Si Grace	—	141	—	—	5	146
Mr. Ching Wai Man	—	141	—	—	5	146
<i>Non-executive director</i>						
Ms. Ng Lai Hung	—	30	—	—	1	31
	—	437	—	—	15	452

The Company did not have any independent non-executive director at any time during the Relevant Periods.

Ms. Lam Wai Si Grace is also the Chief Executive Officer of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive Officer for the Relevant Periods.

There were no arrangements under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Five highest paid employees

The five highest paid employees of the Group for the years ended 30 June 2013 and 2014 and the three months ended 30 September 2013 and 2014 were included 2, 3, 3 and 3 directors respectively, details of whose remuneration are disclosed above. The remuneration of the remaining employees for the years ended 30 June 2013 and 2014 and the three months ended 30 September 2013 and 2014 are 3, 2, 2 and 2 respectively and employees disclosed were as follows:

	Year ended 30 June		Three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Salaries	780	627	164	174
Bonus	146	152	—	—
Pension scheme contributions	38	29	7	8
	<u>964</u>	<u>808</u>	<u>171</u>	<u>182</u>

The remuneration fell within the following band:

	Year ended 30 June		Three months ended 30 September	
	2013	2014	2013	2014
			<i>(unaudited)</i>	
	Number of employees	Number of employees	Number of employees	Number of employees
Nil – HK\$500,000	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>

During the Relevant Periods, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

The dividends declared by Perline to its then shareholders for the Relevant Periods are as follows:

	Year ended 30 June		Three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Interim dividend of HK\$30 per share	<u>6,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

Subsequent to the year ended 30 June 2014, in October 2014, dividend of HK\$3,200,000 was approved to be appropriated to the then shareholders of Perline.

14. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the purpose of this report, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company for the Relevant Periods and (ii) the weighted average number of 300,000,000 shares (comprising 10,000,000 shares in issue and 290,000,000 shares to be issued under the capitalisation issue as described in Appendix V “Statutory and General Information” to the Prospectus) as if these 300,000,000 shares were outstanding throughout the Relevant Periods.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Furniture, fixtures and office equipment	Machinery and equipment	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost					
At 1 July 2012	238	895	263	278	1,674
Additions	—	23	60	—	83
Disposals	—	(5)	—	—	(5)
Exchange alignments	4	7	8	4	23
At 30 June 2013 and at 1 July 2013	242	920	331	282	1,775
Additions	—	30	67	27	124
Exchange alignments	(1)	(2)	(2)	(1)	(6)
At 30 June 2014 and at 1 July 2014	241	948	396	308	1,893
Additions	—	8	—	—	8
Exchange alignments	1	2	2	1	6
At 30 September 2014	242	958	398	309	1,907
Accumulated depreciation					
At 1 July 2012	115	817	169	262	1,363
Charge for the year	36	38	30	11	115
Written back on disposals	—	(4)	—	—	(4)
Exchange alignments	4	6	6	4	20
At 30 June 2013 and at 1 July 2013	155	857	205	277	1,494
Charge for the year	36	33	43	10	122
Exchange alignments	(1)	(2)	(2)	(1)	(6)
At 30 June 2014 and at 1 July 2014	190	888	246	286	1,610
Charge for the period	9	9	11	5	34
Exchange alignments	1	2	1	1	5
At 30 September 2014	200	899	258	292	1,649
Carrying amounts					
At 30 June 2013	87	63	126	5	281
At 30 June 2014	51	60	150	22	283
At 30 September 2014	42	59	140	17	258

16. DEFERRED TAXATION

The following is the major deferred income tax assets/(liabilities) recognised and movement during the Relevant Periods.

	Decelerated depreciation allowances	Accelerated depreciation allowances	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 July 2012, 30 June 2013 and 1 July 2013	23	(18)	5
Recognised in the combined statement of profit or loss (<i>note 11</i>)	(1)	—	(1)
At 30 June 2014 and 1 July 2014	22	(18)	4
Recognised in the combined statement of profit or loss	—	—	—
At 30 September 2014	22	(18)	4

The above deferred tax assets and liabilities have been offset for presentation purpose in the combined statement of financial position.

17. INVENTORIES

	At 30 June	At 30 September
	2013	2014
	HK\$'000	HK\$'000
Raw materials	3,042	3,446
Work in progress	7,693	109
Finished goods	—	—
	10,735	3,555

18. TRADE RECEIVABLES

	At 30 June	At 30 September
	2013	2014
	HK\$'000	HK\$'000
Trade receivables	10,230	6,567

Majority of the Group's sales are based on letters of credit and advances before delivery, and the remaining sales are made with credit terms ranged from 10 to 45 days.

The Group's approach to managing credit risk is disclosed in note 5.2(b).

(a) Aging analysis

The following is an aging analysis of trade receivables of the Group, presented based on the invoice date.

	At 30 June		At
	2013	2014	30 September
	HK\$'000	HK\$'000	2014
			HK\$'000
Within 30 days	8,746	8,329	5,504
31 to 60 days	903	1,197	492
61 to 90 days	240	70	399
Over 90 days	341	210	172
	<u>10,230</u>	<u>9,806</u>	<u>6,567</u>

(b) Aging analysis of trade receivables which are past due but not impaired

Trade receivables disclosed above include amounts (see below for aging analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The following is an aging analysis of trade receivables of the Group which are past due but not impaired. These related to a number of independent customers for whom there is no recent history of default.

	At 30 June		At
	2013	2014	30 September
	HK\$'000	HK\$'000	2014
			HK\$'000
Within 30 days	8,134	8,086	4,867
31 to 60 days	688	425	673
61 to 90 days	234	44	337
Over 90 days	335	179	168
	<u>9,391</u>	<u>8,734</u>	<u>6,045</u>

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June		At
	2013	2014	30 September
	HK\$'000	HK\$'000	2014
			HK\$'000
Deposits	128	175	185
Prepayments	758	122	528
Other receivables	72	134	19
	<u>958</u>	<u>431</u>	<u>732</u>

20. CASH AND CASH EQUIVALENTS

	At 30 June		At 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Cash at bank and on hand	5,702	15,133	24,013

Cash and cash equivalents are denominated in the following currencies:

	At 30 June		At 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
USD	5,352	12,061	20,821
HKD	152	465	791
RMB	141	1,438	1,501
AUD	57	54	51
EUR	—	1,115	849
	5,702	15,133	24,013

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government. For the Group's cash and cash equivalents denominated in RMB located in Hong Kong are not subject to the foreign exchange control.

Bank balances earn interests at floating rate based on daily bank deposit rates and is placed with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

	At 30 June		At 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Trade payables	3,978	1,811	338

The following is an aging analysis of the trade payables, presented based on invoice date:

	At 30 June		At 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	1,172	1,740	210
31 to 60 days	40	35	45
61 to 90 days	16	7	21
Over 90 days	2,750	29	62
	<u>3,978</u>	<u>1,811</u>	<u>338</u>

22. ACCRUALS, OTHER PAYABLES AND TRADE DEPOSITS RECEIVED

	At 30 June		At 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Accruals	1,369	2,793	3,110
Other payables	12	241	844
Trade deposits received	3,251	2,884	2,154
	<u>4,632</u>	<u>5,918</u>	<u>6,108</u>

Trade deposits received are non-interest-bearing.

23. AMOUNTS DUE TO DIRECTORS

At 30 June 2013 and 2014 and 30 September 2014, amounts due to directors are interest-free, unsecured and have no fixed terms of repayment and the amounts due to directors have been fully settled prior to the Listing.

24. BANK BORROWING

	At 30 June		At 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Trust receipt loan	<u>2,066</u>	<u>—</u>	<u>—</u>

At 30 June 2013, the Group had trust receipt loan of approximately HK\$2,066,000 that supported by the Special Loan Guarantee Scheme of the Government of Hong Kong Special Administrative Region ("HKSAR"). The trust receipt loan was not less than 80% guaranteed by the Government of HKSAR and 100% personally guaranteed by an executive director of the Company. The trust receipt loan was interest bearing at prime rate ranged from 1% to 3.25% per annum for the year ended 30 June 2013 and repayable within 90 days from the first day of trust receipt loan utilised.

At 30 June 2014 and 30 September 2014, the Group had trust receipt loans of nil that supported by the Special Loan Guarantee Scheme of the Government of HKSAR. The trust receipt loan was not less than 80% guaranteed by the Government of HKSAR and 100% personally guaranteed by an executive director of the Company. The trust receipt loan

was interest bearing at prime rate ranged from 0.4% to 3.25% and 0.3% to 3.25% per annum respectively and repayable within 90 days from the first day of trust receipt loan utilised. The trust receipt loan was fully settled during the year/three months ended 30 June 2014 and 30 September 2014 respectively.

The aforesaid 100% personal guarantee by an executive director of the Company had been released prior to the Listing.

25. SHARE CAPITAL

The Group

For the purpose of the preparation of the combined statement of financial position, the balance of share capital of the Group as at 30 June 2013 and 2014 represents the issued share capital of the Perline prior to the establishment of the Company.

For the purpose of the preparation of the combined statement of financial position, the balance of share capital of the Group as at 30 September 2014 represents the issued share capital of the Company, Odella BVI and Perline prior to the completion of Reorganisation.

The Company

The Company was incorporated in the Cayman Islands on 3 September 2014 as an exempted company with limited liability with an authorised share capital of HK\$1,000,000 divided into 100,000,000 shares of HK\$0.01 each.

As at 30 June 2013 and 2014, the issued share capital of the Group represents the issued share capital of the Perline.

26. RESERVES

Group

The amounts of the Group's reserves and the movements therein for each of the Relevant Periods are presented in the combined statement of changes in equity of the Financial Information.

(i) Statutory reserve

Pursuant to the relevant laws and regulations for business enterprises in the PRC, a portion of the profits of the entities which are registered in the PRC has been transferred to the statutory reserve which is restricted as to use. When the balance of such reserve reaches 50% of the capital of that entity, any further appropriation is optional. The statutory reserve can be utilised, upon approval of the relevant authority, to offset prior years' losses or to increase capital. However, the balance of the statutory reserve must be maintained at least 25% of capital after such usage.

(ii) Exchange fluctuation reserve

Exchange fluctuation reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the exchange fluctuation reserve. Such exchange differences accumulated in the exchange fluctuation reserve are reclassified to retained earnings on the disposal of the foreign operations.

27. LEASE COMMITMENTS

The Group as lessee

	Year ended 30 June		Three months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Minimum lease payments paid under operating leases during the Relevant Periods:				
Premises	813	993	230	269

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	At 30 June		At 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Within one year	1,221	653	712
In the second to fifth year inclusive	—	40	190
	1,221	693	902

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated at terms which range from 1 to 5 years. The Group does not have an option to purchase the leased premises at the expiry of the lease period.

28. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at the end of each of the Relevant Periods.

29. FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated in the Cayman Islands on 3 September 2014 as an exempted company with limited liability with an authorised share capital of HK\$1,000,000 divided into 100,000,000 shares of HK\$0.01 each. The Company has not carried on any business since its date of incorporation.

	<i>Note</i>	At 30 June		At
		2013	2014	30 September
		HK\$	HK\$	2014
				HK\$
Non-current asset				
Investment in a subsidiary		—	—	780
Current liability				
Amount due to a subsidiary		—	—	780
Capital and reserves				
Share capital	25	—	—	—
Total equity		<u>—</u>	<u>—</u>	<u>—</u>

30. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the combined financial statements, the Group entered into the following transactions with related parties on arm's length basis:

	Year ended		Three months ended	
	30 June		30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
(a) The remuneration of directors and other member of key management during the Relevant Periods was disclosed as follows:				
— Salary and Bonus	1,238	1,858	387	437
— Pension scheme contributions	<u>30</u>	<u>32</u>	<u>8</u>	<u>15</u>
(b) Details of the balances with related parties for the Relevant Periods are set out in note 23 to Section II.				
(c) Details of the banking facility which was 100% personally guaranteed by a director of the Company for the Relevant Periods are set out in note 24 to Section II.				

31. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 30 September 2014:

- (a) On 4 December 2014, the Reorganisation set out in note 1 of Section II headed “Reorganisation” completed.
- (b) The Company adopted a share option scheme on 28 January 2015, a summary of the terms and conditions of which are set out in the paragraph headed “Share Option Scheme” in Appendix V “Statutory and General Information” to the Prospectus.
- (c) On 28 January 2015, the authorised share capital of the Company was increased from HK\$1,000,000 to HK\$40,000,000 by the creation of an additional of 3,900,000,000 shares of HK\$0.01 each.
- (d) In October 2014, Perline declared dividend of HK\$16 per share with an aggregate amount of HK\$3,200,000 which was approved to be appropriated to the then shareholders of Perline. Such dividend was fully paid by way of cash in December 2014 and the payment of such dividend was financed by internal resources of Perline.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2014 and up to the date of this report.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467
Hong Kong

The information set out in this appendix does not form part of the Accountants' Report prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included in this prospectus for information only.

The following unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out here to provide investors with further information about how the proposed listing might have affected the net tangible assets of our Group as if the Placing had occurred on 30 September 2014, and the unaudited pro forma estimated loss per share for the six months ended 31 December 2014. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of our Group's financial results and positions of the financial periods concerns.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Placing as if it had taken place on 30 September 2014. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group after the Placing or at any future dates.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 September 2014	Add: Estimated net proceeds from the Placing	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share
	HK\$'000	HK\$'000	HK\$'000	HK\$
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on the Placing Price of HK\$0.55 per Share	<u>18,665</u>	<u>30,496</u>	<u>49,161</u>	<u>0.12</u>
Based on the Placing Price of HK\$0.60 per Share	<u>18,665</u>	<u>35,196</u>	<u>53,861</u>	<u>0.13</u>

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at 30 September 2014 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited combined net assets attributable to owners of the Company as at 30 September 2014 of approximately HK\$18,669,000 with an adjustment for the deferred tax assets of approximately HK\$4,000.

- (2) The estimated net proceeds from the Placing are based on the minimum and maximum Placing Price of HK\$0.55 and HK\$0.60 per Share respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses (excluding listing expenses of approximately HK\$4,230,000 incurred up to 30 September 2014).
- (3) The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in Notes 1 and 2 above and on the basis that 400,000,000 Shares are in issue and outstanding as set out in the section headed “Share Capital” in this prospectus.
- (4) The unaudited pro forma financial information presented above does not take into account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 30 September 2014). In particular, in October 2014, dividend of HK\$3,200,000 was approved to be appropriated to the then shareholders of Perline Company Limited (which is now an indirect wholly-owned subsidiary of the Company). The unaudited pro forma adjusted net tangible assets had not taken into account of the above transaction. Had the dividend been taken into account, our unaudited pro forma adjusted net tangible assets per Shares would be HK\$0.11 (assuming the Placing Price of HK\$0.55 per Share) and HK\$0.13 (assuming the Placing Price of HK\$0.60 per Share), respectively.

B. UNAUDITED PRO FORMA ESTIMATED LOSS PER SHARE

The unaudited pro forma estimated loss per share for the six months ended 31 December 2014 has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Placing as if it had taken place on 1 July 2014. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial results of the Group.

Loss estimate for the six months ended 31 December 2014

	Estimate for the six months ended 31 December 2014
Estimated combined loss attributable to owners of the Company (<i>Note 1</i>)	not more than HK\$5 million
Unaudited pro forma estimated loss per share (<i>Note 2</i>)	not more than 1.25 HK cents

Notes:

1. The estimated combined loss attributable to owners of the Company for the six months ended 31 December 2014 is extracted from Appendix III to this prospectus. The bases and assumptions on which the above estimated for the six months ended 31 December 2014 has been prepared are summarised in Appendix III to this prospectus.
2. The calculation of the unaudited pro forma estimated loss per share is based on the estimated combined loss attributable to owners of the Company for the six months ended 31 December 2014 which has taken into account of the expected listing expenses to be incurred during the six months ended 31 December 2014 of approximately HK\$13.7 million and on the assumptions that a total of 400,000,000 Shares were in issue during the six months ended 31 December 2014.

C. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.



31st Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

5 February 2015

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF ODELLA LEATHER HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Odella Leather Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted net tangible assets as at 30 September 2014, the unaudited pro forma estimated loss per share for the six months ended 31 December 2014 (the "Unaudited Pro Forma Financial Information") and related notes as set out in Section A and B of Appendix II to the prospectus issued by the Company dated 5 February 2015 (the "Prospectus"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Section A and B 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 placing of 100,000,000 shares of HK\$0.01 each in the capital of the Company on the Group's financial position as at 30 September 2014 and the Group's estimated loss per share for the six months ended 31 December 2014 as if the proposed placing had taken place at 30 September 2014 and a total of 400,000,000 shares were in issue during the six months ended 31 December 2014 respectively. As part of this process, information about the Group's financial position, and estimated loss has been extracted by the directors from the Group's financial information for the three months ended 30 September 2014, on which an Accountants' Report has been published, and the Group's loss estimate for the six months ended 31 December 2014, respectively.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM 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 (HKSAE) 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 comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM 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 the Prospectus 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 September 2014 or 31 December 2014 (as the case may be) 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' judgement, 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 7.31(1) of the GEM Listing Rules.

Yours faithfully,

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Yu Chi Fat

Practising Certificate Number: P05467

Hong Kong

Our estimate of the combined loss for the six months ended 31 December 2014 is set out in the paragraph headed “Financial Information — Loss Estimate”.

A. LOSS ESTIMATE FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

Our Directors have prepared the estimate of the combined loss of our Company for the six months ended 31 December 2014 based on the audited financial statements for the three months ended 30 September 2014, the unaudited management accounts for two months ended 30 November 2014 and the estimate of the combined results for the remaining month ended 31 December 2014. The estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by our Group as summarised in the accountants’ report, the text of which is set out in Appendix I to this prospectus and the principal assumptions set out below.

Loss estimate for the six months ended 31 December 2014

	Estimate for the six months ended 31 December 2014
Estimated combined loss attributable to owners of the Company	not more than HK\$5 million
Unaudited pro forma estimated loss per Share ^(Note)	not more than 1.25 HK cents

Note: The calculation of the unaudited pro forma estimated loss per Share is based on the estimated combined loss attributable to owners of the Company for the six months ended 31 December 2014 which has taken into account of the expected listing expenses to be incurred during the six months ended 31 December 2014 of approximately HK\$13.7 million and on the assumptions that a total of 400,000,000 Shares were in issue during the six months ended 31 December 2014.

B. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.



31st Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

5 February 2015

The Board of Directors
Odella Leather Holdings Limited

Halcyon Capital Limited

Dear Sirs,

Odella Leather Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”)

Comfort letter on loss estimate for six months ended 31 December 2014

We refer to the estimate of the combined loss attributable to owners of the Company for the six months ended 31 December 2014 (the “**Loss Estimate**”) set forth in the section headed Financial Information in the prospectus of the Company dated 5 February 2015 (the “**Prospectus**”).

Responsibilities

The Loss Estimate has been prepared by the directors of the Company based on the unaudited combined results based on the audited financial statements of the Group for the three months ended 30 September 2014 as set out in Appendix I to the Prospectus, the unaudited combined results based on the management accounts of the Group for the two months ended 30 November 2014 and the estimate of the combined results of the Group for the remaining month ended 31 December 2014.

The Company’s directors are solely responsible for the Loss Estimate. It is our responsibility to form an opinion on the accounting policies and calculations of the Loss Estimate based on our procedures.

Basis of opinion

We carried out our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institution of Certified Public Accountants (the “HKICPA”). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Loss Estimate in accordance with the assumptions made by the directors and as to whether the Loss Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Loss Estimate has been properly compiled in accordance with the bases and assumptions made by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report dated 5 February 2015, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467
Hong Kong

C. LETTER FROM THE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus, received by our Directors from the Sponsor, in connection with the estimate of our combined loss for the six months ended 31 December 2014.



Halcyon Capital Limited
11/F, 8 Wyndham Street,
Central, Hong Kong

The Board of Directors
Odella Leather Holdings Limited
Unit 1701 Treasure Centre
42 Hung To Road
Kwun Tong, Kowloon
Hong Kong

5 February 2015

Dear Sirs,

We refer to the estimate of the combined loss of Odella Leather Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 31 December 2014 (the “**Loss Estimate**”), as set out in the prospectus dated 5 February 2015 issued by the Company (the “**Prospectus**”).

The Loss Estimate, for which the directors of the Company (“**Directors**”) are solely responsible, has been prepared by the Directors based on the audited financial statements of the Group for the three months ended 30 September 2014 as set out in Appendix I to the Prospectus, the unaudited combined results based on the management accounts of the Group for the two months ended 30 November 2014 and the estimate of the combined results of the Group for the remaining month ended 31 December 2014.

We have discussed with you the bases and assumptions upon which the Loss Estimate has been made. We have also considered the letter dated 5 February 2015 addressed to you and us from HLB Hodgson Impey Cheng Limited, Certified Public Accountants, regarding the accounting policies and calculations upon which the Loss Estimate has been made.

On the basis of the foregoing and on the bases and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, we have formed the opinion that the Loss Estimate, for which you as Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully
For and on behalf of
Halcyon Capital Limited

Derek Chan
Chairman

Set out below is a summary of certain provisions of the memorandum and articles of association of the Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that the Company's objects are unrestricted. The objects of the Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified in the paragraph headed "Documents available for inspection" specified in appendix VI to this Prospectus. As an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The articles of association of the Company (the "Articles") were adopted on 28 January 2015. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) Power to allot and issue shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine.

All unissued shares in the Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and the giving of security for loans to Directors*

Where the shares of the Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, the Company may not make, without the approval of, or ratification by, the Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of the Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of the Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which the Company has an equity interest, and the amount of such loan, or the liability assumed by the Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) *Financial assistance to purchase shares of the Company or its holding company*

There are no provisions in the Articles relating to the giving by the Company of financial assistance for the purchase, subscription or other acquisition of shares of the Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by

him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as they think 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. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his close associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his close associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his close associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his close associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his close associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his close associate(s) (as defined in the Articles) is materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

- (i) any contract or arrangement for the 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 associate(s) or obligations incurred or undertaken by him or any of his close associate(s) at the request of or for the benefit of the Company or any of its subsidiaries;

- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;
- (iv) any contract or arrangement in which the Director or his close associate(s) is/ are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (v) 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 or his close associate(s) and to employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) *Remuneration*

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not three or 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 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 election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). Subject to the statutes and the provisions of the Articles, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.

(x) *Qualification shares*

Directors of the Company are not required under the Articles to hold any qualification shares.

(xi) *Indemnity to Directors*

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) Alterations to constitutive documents

The memorandum of association of the Company may be altered by the Company in general meeting. The Articles may also be amended by the Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of the Company.

(c) Alterations of capital

The Company may from time to time by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (v) sub divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub divided may determine that, as between the holders of the shares resulting from such sub division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;
- (vi) change the currency of denomination of its share capital; and
- (vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate 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, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions — majority required

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, a special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days, specifying the intention to propose the resolution as a special resolution, has been duly given. However, at all times while any part of the issued capital of the Company remains listed on the Stock Exchange, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a

right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, (or, in the case of an annual general meeting, by all members) a resolution may be proposed and passed as a special resolution at a meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days has been given.

(f) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of the Company are listed with the permission of the Company.

(h) Accounts and audit

The Directors shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by law or are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

The Directors shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in the Company are listed on the Stock Exchange, the accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of the Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be delivered or sent by post to the registered address of every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from

the Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings may be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they 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, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Articles provide that the power of the Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

(l) Power of any subsidiary to own securities in the Company

There are no provisions in the Articles relating to ownership of securities in the Company by a subsidiary.

(m) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors 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, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other

distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of the Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of the Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments

payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non payment at or before the 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 Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of the Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if the Company were incorporated under and is subject to the Companies Ordinance (Cap. 622) of the laws of Hong Kong.

(r) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of the Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (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 convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, 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 is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property 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 sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) Stock

The Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” and “member” therein shall include “stock” and “stockholder”.

(x) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which the Company may issue after the date of this prospectus shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par

value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of the Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of the Company may be altered by the Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 21 clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than 21 clear days' notice and not less than ten (10) clear business days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

4. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands 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 Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) 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 or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(iii) in redeeming or purchasing its shares as provided in the Companies Law; or

(iv) in writing off

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. Purchases and redemptions may only be effected out of the profits of the company or the share premium account of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless

immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own subscription 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.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (2011 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its

capital gains arising in the Cayman Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. 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 (2009 Revision) of the Cayman Islands. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon

the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

5. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix VI. 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.

1. FURTHER INFORMATION ABOUT OUR GROUP

1.1 Incorporation of our Company in the Cayman Islands and registration of our Company under Part 16 of the Companies Ordinance

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 3 September 2014 with an authorised share capital of HK\$1 million divided into 100 million Shares (having a par value of HK\$0.01 each).

Our Company has established a principal place of business in Hong Kong at Unit 1701 Treasure Centre, 42 Hung To Road, Kwun Tong, Kowloon, Hong Kong. Our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 8 October 2014. Ms. Idy Cheung (an executive Director) has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the Companies Law and to the constitution comprising the Memorandum and Articles of Association. A summary of certain provisions of our Company's constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

1.2 Changes in the share capital of our Company

(a) *Change in authorised and issued share capital*

Our Company was incorporated on 3 September 2014 with an authorised share capital of HK\$1 million divided into 100 million shares of HK\$0.01 each.

On 3 September 2014, one share of HK\$0.01 was allotted and issued, nil paid, to Sharon Pierson (an officer of Codan Trust Company (Cayman) Limited, the provider of registered office of our Company), which was transferred to BVI-Cheung on the same date. On 3 September 2014, our Company further allotted and issued 999,999 Shares, nil paid, to BVI-Cheung, BVI-Lam and BVI-Ching.

By an agreement dated 4 December 2014 and made between (i) Odella BVI as purchaser; (ii) the Company (as holding company of Odella BVI); (iii) the Individual Owners as sellers and warrantors; and (iv) the BVI Inv Vehicles as nominees of the respective Individual Owners to hold the consideration Shares, Odella BVI agreed to acquire from the Individual Owners the entire issued share capital in Perline. In consideration of and in exchange for such acquisition, the Company (i) credited as fully paid the 1 million nil-paid Shares in issue (as mentioned in paragraph 1.5 below), and (ii) issued to the BVI Inv Vehicles 9 million new Shares (and such new Shares were issued to BVI-Cheung, BVI-Lam and BVI-Ching (as nominated by the Individual Owners) in the proportion of 68%, 17% and 15% respectively), all credited as fully paid.

On 28 January 2015, our Company's authorised share capital was increased to HK\$40 million by the creation of 3,900 million Shares pursuant to a resolution passed by our Shareholders referred to in paragraph 1.3 below.

Saved as disclosed above and in the paragraph headed "History, development and reorganisation — Corporate history — Establishment and major changes concerning our group companies — Our Company", there has been no alteration in the share capital of our Company since its incorporation.

(b) Information as of the Latest Practicable Date and immediately after the Placing

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Placing and the Capitalisation Issue:

	<u>HK\$</u>
<i>Authorised share capital:</i>	
4,000,000,000 Shares (having a par value of HK\$0.01 each)	40,000,000
<i>Issued and to be issued, fully paid or credited as fully paid:</i>	
10,000,000 Shares in issue as at the date of this prospectus	100,000
290,000,000 Shares to be issued pursuant to the Capitalisation Issue	2,900,000
<u>100,000,000</u> Shares to be issued under the Placing	<u>1,000,000</u>
<u>400,000,000</u> Total	<u>4,000,000</u>

Assumptions

The above table assumes that the Placing becomes unconditional and Shares are issued pursuant to the Placing. It takes no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be issued or repurchased by us pursuant to the Issuing Mandate or Repurchase Mandate granted to our Directors as described below.

As at the Latest Practicable Date, our Company had an authorised share capital of HK\$40 million, divided into 4,000 million Shares, and an issued share capital of HK\$100,000, divided into 10 million Shares, all fully paid or credited as fully paid.

Immediately following completion of the Placing and the Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), the authorised share capital of our Company remains to be HK\$40 million divided into 4,000 million Shares, of which 400 million Shares will be in issue (fully paid or credited as fully paid), and 3,600 million Shares will remain unissued.

(c) *Founder shares*

Our Company has no founder shares, management shares or deferred shares.

Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above and in the paragraph headed “Resolutions in writing of our Shareholders passed on 28 January 2015” below, there has been no alteration in the share capital of our Company since its incorporation.

1.3 Resolutions in writing of our Shareholders passed on 28 January 2015

Pursuant to the written resolutions passed by all of our Shareholders on 28 January 2015 among others:

- (a) the Memorandum of Association and the Articles were approved and adopted;
- (b) the authorised share capital of our Company was increased from HK\$1 million to HK\$40 million by the creation of further 3,900 million Shares;
- (c) conditional on (A) the Listing Division of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing; (B) the Placing Price having been determined; (C) the obligations of the Underwriters under the Underwriting Agreement becoming and remaining unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
 - (i) the Placing was approved and the Directors were authorised to allot and issue the Placing Shares pursuant to the Placing;

- (ii) the rules of the Share Option Scheme (the principal terms of which are set forth in the paragraph headed “4. Share Option Scheme” of this appendix) were approved and adopted and the Directors were authorised to approve any amendments 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 Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
- (iii) conditional on the share premium account of our Company being credited as a result of the issue of new Shares under the Placing, the Directors were authorised to capitalise HK\$2.9 million standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 290 million Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on 28 January 2015 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing holdings in our Company (or as they may direct) and so that the Shares to be allotted and issued pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares and the Directors were authorised to give effect to such capitalisation;
- (iv) a general unconditional mandate (“**Issuing Mandate**”) was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, or scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Placing or the Capitalisation Issue, or issue of Shares upon exercise of rights of subscription or conversion attaching to any warrants of our Company or any securities which are convertible into Shares, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following completion of the Placing and the Capitalisation Issue but excluding (where applicable) any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (v) 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 of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

- (v) a general unconditional mandate (“**Repurchase Mandate**”) was given to the Directors to exercise all powers of our Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following the completion of the Placing and the Capitalisation Issue but excluding (where applicable) any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and
- (vi) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

1.4 Further information about our Group’s subsidiaries

Our Group has one wholly-owned subsidiary incorporated in Hong Kong and one wholly-owned subsidiary established in the PRC. A summary of the corporate information of these two companies as at the Latest Practicable Date is set out as follows:

(a) *Subsidiary incorporated in Hong Kong*

Full name of company	Perline Company Limited (柏麗發展有限公司)
Date of incorporation	15 March 1988
Registered office	Unit 1701–02, 17/F., Treasure Centre, No. 42 Hung To Road, Kwun Tong, Kowloon, Hong Kong
Issued share capital	HK\$200,000
Number of issued shares	200,000
Shareholder	Odella BVI (100%)
Principal business activity	Sales, marketing and development of leather products

(b) *Subsidiary established in the PRC*

Full name of company	Foshan Nanhai Shengli Leather Garment Co., Ltd. (佛山市南海盛麗皮衣有限公司)
Date of establishment	21 June 2004
Address	3rd Floor, Block 1, Beiyue Industrial Zone, Guicheng Science and Technology Park, Nanhai District, Foshan City, Guangdong Province, the PRC
Economic nature	WFOE
Registered holder	Perline
Total investment amount	HK\$2.13 million
Registered capital (fully paid up)	HK\$1.5 million
Percentage equity interest attributable to our Group	100%
Term of operation (or, where applicable, its expiry date)	From 21 June 2004 to 20 June 2028
Scope of permitted business	Manufacture of various leather products, domestic and foreign trading (restricted items being subject to relevant approval)

1.5 Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing. Please refer to the section headed "History, development and reorganisation — Reorganisation" of this prospectus for further details.

(a) *Incorporation of overseas companies by the shareholders of Perline*

- (i) Each Individual Owner acquired and activated a BVI investment vehicle (i.e. the BVI Inv Vehicles), brief particulars of which are set out below:

Name of BVI Inv Vehicle	Sole shareholder of BVI Inv Vehicle	(a) Date of incorporation	Total no. of issued shares
		(b) Date of activation	
Quality Century Limited ("BVI-Cheung")	Ms. Idy Cheung	(a) 2 July 2014 (b) 25 July 2014	1
Design Vanguard Limited ("BVI-Lam")	Ms. Grace Lam	(a) 3 July 2014 (b) 25 July 2014	1
Olson Global Limited ("BVI-Ching")	Mr. Ramond Ching	(a) 27 May 2014 (b) 25 July 2014	1

- (ii) The subscription price of each issued share in each BVI Inv Vehicle is its par value (i.e. US\$1). Each Individual Owner owned the entire issued share capital in the respective BVI Inv Vehicle from the above date of activation and up to the Latest Practicable Date.

(b) *Incorporation of our Company and Odella BVI*

- (i) On 3 September 2014, our Company was incorporated in the Cayman Islands as an exempted company. Its initial authorised share capital is HK\$1 million divided into 100 million Shares of HK\$0.01 each. On 3 September 2014, one Share was allotted and issued, nil paid, to Sharon Pierson, which was transferred to BVI-Cheung on the same date.

- (ii) On 3 September 2014, our Company further allotted and issued 999,999 Shares, all nil-paid, to BVI-Cheung, BVI-Lam and BVI-Ching. Brief details of the shareholders of our Company immediately following such transfer and subscriptions are shown below:

<u>Subscriber</u>	<u>No. of Shares subscribed and held</u>	<u>Shareholding percentage (%)</u>
BVI-Cheung	680,000 (Note)	68%
BVI-Lam	170,000	17%
BVI-Ching	<u>150,000</u>	<u>15%</u>
Total:	<u>1,000,000</u>	<u>100%</u>

Note: Inclusive of one subscriber share transferred from Sharon Pierson.

- (iii) Odella BVI was incorporated in BVI on 11 September 2014. Its initial authorised share capital is US\$50,000 divided into 50,000 shares of US\$1 each. On 11 September 2014, 100 shares in Odella BVI were issued to our Company, and the aggregate subscription price was US\$100 which was equal to the aggregate par value of the shares issued.

(c) *Transferring the entire issued share capital in Perline to Odella BVI*

By an agreement dated 4 December 2014 and made between (i) Odella BVI as purchaser; (ii) our Company (as holding company of Odella BVI); (iii) the Individual Owners as sellers and warrantors; and (iv) the BVI Inv Vehicles as nominees of the respective Individual Owners to hold the consideration Shares, Odella BVI agreed to acquire from the Individual Owners the entire issued share capital in Perline. In consideration of and in exchange for such acquisition, our Company:

- (i) credited as fully paid the 1 million nil-paid Shares in issue (as mentioned in sub-paragraph (b) above), and
- (ii) issued to the BVI Inv Vehicles 9 million new Shares (and such new Shares were issued to BVI-Cheung, BVI-Lam and BVI-Ching (as nominated by the Individual Owners) in the proportion of 68%, 17% and 15% respectively), all credited as fully paid.

The transfer was properly and legally completed on 4 December 2014.

1.6 Changes in share capital of our subsidiaries

Our subsidiaries are listed in the Accountants' Report set out in Appendix I to this prospectus.

There was no alteration in the share capital of our subsidiaries which took place within two years immediately preceding the date of this prospectus.

1.7 Repurchases by our Company of our own securities

This paragraph sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchase of securities (which must be fully paid up 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.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association of our Company and the GEM Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, under the Companies Law any repurchases by our Company may be made out of our Company's profits, out of our Company's share premium account, out of the proceeds of a new issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of profits or from sums standing to the credit of our Company's share premium account or, if authorised by the Articles, and subject to the Companies Law, out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The GEM Listing Rules also prohibit a listed company from repurchasing its securities which would result in the number of the listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of repurchase

A listed company shall not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half year, quarterly or any other interim period (whether or not required under the GEM Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the GEM Listing Rules.

(vi) *Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) *Core connected persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or Substantial Shareholder of the Company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to the Company.

(b) *Reasons for repurchases*

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors have sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(c) *Funding of repurchases and impact on working capital or gearing position*

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Memorandum and Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period.

However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 400 million Shares in issue immediately following the completion of the Placing and the Capitalisation Issue but excluding (where applicable) any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme, could accordingly result in up to 40 million Shares being repurchased by our Company during the period prior to the earliest occurrence of any of the following:

- (i) the conclusion of our next annual general meeting; or
- (ii) the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

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 GEM Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the GEM Listing Rules requirements regarding the public shareholding. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

2.1 Summary of material contracts

The following contracts (not being contracts entered into in our ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) an agreement dated 4 December 2014 and entered into between (i) Odella BVI (as purchaser); (ii) our Company (as holding company of Odella BVI); (iii) Ms. Idy Cheung, Ms. Grace Lam and Mr. Ramond Ching (as vendors and warrantors); and (iv) the BVI Inv Vehicles as nominees of the respective Individual Owners to hold the consideration Shares, pursuant to which the Individual Owners agreed to sell the entire issued share capital in Perline to Odella BVI and were settled in the manner as mentioned in paragraph 1.5(c) of this appendix, and certain non-compete undertakings were also given by our Controlling Shareholders in favour of our Company (brief details of which are set out in the paragraph headed “Relationship with Controlling Shareholders — Competition and conflict of interests — Undertakings given by Controlling Shareholders” of this prospectus;
- (b) a deed of indemnity dated 28 January 2015 executed by all the Individual Owners and BVI Inv Vehicles in favour of our Company (for ourselves and as trustee for our subsidiaries stated therein) containing the indemnities more particularly referred to in the paragraph entitled “5. Estate duty, tax and other indemnities” of this appendix; and
- (c) the Underwriting Agreement.

2.2 Intellectual property rights of our Group

As at the Latest Practicable Date, we had registered or had applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) *Trademarks*

As at the Latest Practicable Date, no members of our Group had registered any trademarks.

(b) *Domain Names*

As at the Latest Practicable Date, members of our Group had registered the following domain names which are material to our business:

<u>No.</u>	<u>Domain name</u>	<u>Registrant</u>	<u>Date of registration</u>	<u>Expiry date</u>
1.	www.perline.com.hk	Perline	22 March 2000	Nil
2.	www.odella.com	Perline	9 June 2000	9 June 2019

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

3.1 Disclosure of Interests

(a) *Interests and short positions of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and our associated corporations*

Immediately following the completion of the Placing and the Capitalisation Issue and without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the interests or short positions of the Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange will be as follows:

<u>Name of Director</u>	<u>Nature of interest/ Capacity</u>	<u>Relevant company (including associated corporations)</u>	<u>Number of Shares (or, as the case may be, amount of registered capital) in the relevant company</u>	<u>Approximate percentage of shareholding</u>
Ms. Idy Cheung	Interest of a controlled corporation	Our Company (Note 2)	204,000,000 (L)	51%
Ms. Grace Lam	Interest of a controlled corporation	Our Company (Note 3)	51,000,000 (L)	12.75%
Mr. Ramond Ching	Interest of a controlled corporation	Our Company (Note 4)	45,000,000 (L)	11.25%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) The entire issued share capital of BVI-Cheung is owned by Ms. Idy Cheung. Upon completion of the Placing and the Capitalisation Issue, BVI-Cheung will directly hold 204,000,000 Shares. By virtue of the SFO, Ms. Idy Cheung is deemed to be interested in the Shares held by BVI-Cheung.
- (3) The entire issued share capital of BVI-Lam is owned by Ms. Grace Lam. Upon completion of the Placing and the Capitalisation Issue, BVI-Lam will directly hold 51,000,000 Shares. By virtue of the SFO, Ms. Grace Lam is deemed to be interested in the Shares held by BVI-Lam.
- (4) The entire issued share capital of BVI-Ching is owned by Mr. Ramond Ching. Upon completion of the Placing and the Capitalisation Issue, BVI-Ching will directly hold 45,000,000 Shares. By virtue of the SFO, Mr. Ramond Ching is deemed to be interested in the Shares held by BVI-Ching.

Save as disclosed in the sections headed “History, development and reorganisation” and “Relationship with Controlling Shareholders” and the paragraph headed “3.2 Directors’ service contracts and letters of appointment” in this appendix, none of our Directors or their close associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) *Interests of our Substantial Shareholders*

So far as is known to any Director or chief executive of our Company, immediately following the completion of the Placing and the Capitalisation Issue and without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons will have an interest or short position in the Shares or the underlying Shares which would fall 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 are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group once the Shares are listed in the Stock Exchange:

<u>Name</u>	<u>Number of Shares⁽¹⁾</u>	<u>Approximate percentage of shareholding</u>	<u>Capacity/Nature of interest</u>
BVI-Cheung ⁽²⁾	204,000,000(L)	51%	Beneficial owner
Ms. Idy Cheung ⁽²⁾	204,000,000(L)	51%	Interest in a controlled corporation
Mr. Lam Andrew Hung Yun ⁽²⁾	204,000,000(L)	51%	Interest of spouse (spouse of Ms. Idy Cheung)
BVI-Lam ⁽³⁾	51,000,000(L)	12.75%	Beneficial owner
Ms. Grace Lam ⁽³⁾	51,000,000(L)	12.75%	Interest in a controlled corporation
Mr. Lee Ben ⁽³⁾	51,000,000(L)	12.75%	Interest of spouse (spouse of Ms. Grace Lam)
BVI-Ching ⁽⁴⁾	45,000,000(L)	11.25%	Beneficial owner
Mr. Ramond Ching ⁽⁴⁾	45,000,000(L)	11.25%	Interest in a controlled corporation

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) The entire issued share capital of BVI-Cheung is wholly owned by Ms. Idy Cheung. The spouse of Ms. Idy Cheung is Mr. Lam Andrew Hung Yun, and he is deemed to be interested in such 204,000,000 Shares by virtue of the SFO.

- (3) The entire issued share capital of BVI-Lam is wholly owned by Ms. Grace Lam. The spouse of Ms. Grace Lam is Mr. Lee Ben, and he is deemed to be interested in such 51,000,000 Shares by virtue of the SFO.
- (4) The entire issued share capital of BVI-Ching is wholly owned by Mr. Ramond Ching. Under the SFO, Mr. Ramond Ching is deemed to be interested in 45,000,000 Shares registered in the name of BVI-Ching.

3.2 Directors' service contracts and letters of appointment

Executive Directors

Each of our executive Directors has entered into a service contract with our Company pursuant to which he/she agreed to act as an executive Director for an initial term of three years with effect from 1 January 2015.

Each of our executive Directors is entitled to a basic salary as set out below (subject to an annual increment of not more than 10% of the annual salary immediately prior to such increase after 31 December 2015 at the discretion of our Directors). In addition, each of the executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of our Company may not exceed 10% of the audited consolidated net profit of our Group (after taxation, minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The current basic annual salaries of our executive Directors are as follows:

Name	Annual salary (HK\$)
Ms. Idy Cheung	500,000
Ms. Grace Lam	679,400
Mr. Ramond Ching	679,400

Non-executive Director and INEDs

Each of our INEDs and Ms. Ng Lai Hung (a non-executive Director) has entered into a letter of appointment with our Company pursuant to which he/she has been appointed for an initial term of three years commencing from 28 January 2015. Ms. Ng Lai Hung is entitled to a director's fee of HK\$120,000 per annum, and each INED is entitled to a director's fee of HK\$120,000 per annum. Save for the Directors' fees, none of our non-executive Director and our INEDs is expected to receive any other remuneration for holding their respective offices.

3.3 Directors' and senior management's remuneration

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to the Directors in respect of the two financial years ended 30 June 2014 and the three months ended 30 September 2014 were approximately HK\$1.3 million, HK\$1.9 million and HK\$0.5 million respectively. The aggregate emoluments paid by our Group to our senior management (excluding our Directors) in respect of the two financial years ended 30 June 2014 and the three months ended 30 September 2014 were approximately HK\$0.9 million, HK\$1 million and HK\$0.3 million respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our INEDs in their respective capacity as Directors) for the year ending 30 June 2015 are expected to be approximately HK\$2.1 million.
- (iii) None of the directors or any past directors of any member of our Group has been paid any sum of money for each of the two years ended 30 June 2014 and the three months ended 30 September 2014 (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.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two years ended 30 June 2014 and the three months ended 30 September 2014.

3.4 Disclaimers

- (a) Save as disclosed in the paragraph headed “3.1 Disclosure of interests — (a) Interests and short positions of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and our associated corporations” in this appendix, none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she 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 entered in the register referred to in that section, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;
- (b) save as disclosed in the paragraph headed “3.1 Disclosure of interests — (b) Interests of our Substantial Shareholders” in this appendix and in the section headed “Substantial Shareholders” above in this prospectus, so far as is known to any Director or chief executive of our Company, no person (other than a Director or chief executive of our

Company) has an interest or short position in the Shares and underlying Shares which would fall 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 is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group once the Shares are listed on the Stock Exchange;

- (c) save as disclosed in the sections headed “History, development and reorganisation” and “Relationship with Controlling Shareholders” and paragraph 1.5 of this appendix, none of our Directors nor any of the persons listed in “6.6 Qualifications of experts” below is interested 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 are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) save as disclosed in the sections headed “History, development and reorganisation” and “Relationship with Controlling Shareholders” and paragraph 1.5 of this appendix, none of our Directors 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) save in connection with Underwriting Agreement, none of the persons listed in the paragraph headed “6.6 Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) save for the Underwriting Agreement, none of the persons listed in the paragraph headed “6.6 Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (g) save as disclosed in the paragraph headed “3.2 Directors’ service contracts and letters of appointment” in this appendix, 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);
- (h) so far as is known to our Directors, none of our Directors or their close associates or any Shareholder (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest customers or the five largest suppliers of our Group during the Track Record Period; and

- (i) none of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

4. SHARE OPTION SCHEME

4.1 Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our then Shareholders on 28 January 2015:

(i) *Purposes of the scheme*

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, the Directors and other selected participants for their contributions to our Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the GEM Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) *Who may join*

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity ("**Invested Entity**") in which any member of our Group holds an equity interest;
- (b) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of our Group or any Invested Entity;
- (d) any customer of any member of our Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

- (f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity;
- (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of our Group.

(iii) *Maximum number of the Shares*

- (a) 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 scheme adopted by our Group must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.
- (b) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date ("**General Scheme Limit**").
- (c) Subject to (a) above but without prejudice to (d) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group)

previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

- (d) Subject to (a) above and without prejudice to (c) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (c) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

(iv) *Maximum entitlement of each participant*

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his close associates abstaining from voting. Our Company must send a circular to the Shareholders and the circular must disclose the identity of the participant, the number and terms of the options to be granted (and options previously granted to such participant), the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 23.03(9) of the GEM Listing Rules.

(v) *Grant of options to the Directors, chief executive or Substantial Shareholders of our Company or their respective close associates*

- (a) Any grant of options under the Share Option Scheme to a Director, chief executive or Substantial Shareholder of our Company or any of their respective close associates must be approved by INEDs (excluding the INED(s) who or whose close associates is/are the proposed grantee(s) of the options).

(b) Where any grant of options to a Substantial Shareholder or an INED or any of their respective close associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(pp) representing in aggregate over 0.1% of the Shares in issue; and

(qq) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders in general meeting. Our Company must send a circular to the Shareholders. All connected persons of our Company must abstain from voting in favour at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a Substantial Shareholder or an INED or any of their respective close associates must be approved by the Shareholders in general meeting.

(vi) *Time of acceptance and exercise of option*

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) *Performance targets*

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) *Subscription price for the Shares and consideration for the option*

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day;

(ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) *Ranking of the Shares*

(aa) The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(x) *Restrictions on the time of the offer for the grant of options*

No offer for grant of options shall be made after inside information has come to our Company's knowledge until we have announced the information. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules), and (bb) the deadline for our Company to publish an announcement of its results for any year, half-year, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, no option for the grant of options may be made.

The Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in Shares pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) *Rights on ceasing employment*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

“Eligible Employee” means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) *Rights on death, ill-health or retirement*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) *Rights on dismissal*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) *Rights on breach of contract*

If the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his close associate has committed any breach of any contract entered into between the grantee or his close associate on the one part and our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which the Directors have so determined.

(xvi) *Rights on a general offer, a compromise or arrangement*

If a general or partial offer, whether by way of takeover offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme or arrangement is formally proposed to Shareholders of our Company, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

(xvii) *Rights on winding up*

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company

available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) *Grantee being a company wholly owned by eligible participants*

If the grantee is a company wholly owned by one or more eligible participants:

- (aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fail to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and
- (bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) *Adjustments to the subscription price*

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the options so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (iii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iv) notwithstanding (i) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue, should be based on a scrip factor similar to the one used in the accounting standards in adjusting the earnings per share figures and any such adjustment shall comply with the supplementary guidance on Rule 23.03(13) of the GEM Listing Rules as set out in the letter issued by the Stock Exchange dated 5 September 2005; and (v) any adjustment must be made in compliance with the GEM Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the GEM Listing Rules.

(xx) *Cancellation of options*

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii) (cc) and (dd) above.

(xxi) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) *Rights are personal to the grantee*

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreements so to do.

(xxiii) *Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period in respect of such option;
- (b) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and
- (c) the date on which the Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) Miscellaneous

- (a) The Share Option Scheme is conditional on the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (b) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (c) 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 must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (d) The terms of the Share Option Scheme and any amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.
- (e) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the shareholders of our Company in general meeting.

4.2 Present status of the Share Option Scheme**(i) *Approval of the Listing Division required***

The Share Option Scheme is conditional on the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) *Application for approval*

Application has been made to the Listing Division of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) *Grant of options*

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) *Value of options*

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

(v) *Compliance with GEM Listing Rules*

The Share Option Scheme complies with Chapter 23 of the GEM Listing Rules.

5. ESTATE DUTY, TAX AND OTHER INDEMNITIES

All the Individual Owners and BVI Inv Vehicles (collectively, the “**Indemnifiers**”) have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (b) referred to in the paragraph headed “2.1 Summary of material contracts” in this appendix) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which is or might become payable by any member of our Group by reason of any relevant transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the date on which the conditions of the deed of indemnity are fulfilled (“**Effective Date**”); and
- (b) tax liabilities (including all costs, interest, penalties, charges, liabilities and expenses incidental or relating to taxation) and taxation claim which might be incurred by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the Effective Date, or any event or transaction on or before the Effective Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not the tax liabilities or taxation claim are chargeable against or attributable to any other person, firm or company.

The Indemnifiers are under no liability under the deed of indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group up to 30 September 2014;

- (b) to the extent that such taxation or liability for such taxation falling on any of the members of our Group in respect of their accounting periods or any accounting period commencing on or after 1 October 2014 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 1 October 2014; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 30 September 2014 or pursuant to any statement of intention made in this prospectus; or
 - (iii) pursuant to the Reorganisation carried out by our Group as set out in this prospectus; or
- (c) to the extent that such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the IRD or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or PRC or any other 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; or
- (d) to the extent of any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 September 2014 and which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, the Indemnifiers have also undertaken to us that they will indemnify and at all times keep us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of our assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

Pursuant to the deed of indemnity, the Indemnifiers have on a joint and several basis undertaken to indemnify and keep indemnified on demand each member of our Group, among other indemnities, against:

- (a) any amount which any member of our Group may be required to pay and/or any penalty which may be imposed on any member of our Group, or any costs, expenses and losses which such company may suffer in connection with such amount and/or penalty, due to such company's failure to observe laws, regulations or rules concerning social insurance, housing provident funds or any other laws and regulations in connection with the employee welfare and benefits in Hong Kong or the PRC;
- (b) any penalty which may be imposed on any member of our Group, or any costs, expenses and losses which such company may suffer in connection with such penalty, due to such company's failure to duly make all relevant filings or reports and supply all other information required to be supplied to any relevant Hong Kong or PRC governmental authority, including but not limited to the relevant tax bureau and relevant administration of industry and commerce, or to observe any laws, regulations or rules in Hong Kong or the PRC in this regard;
- (c) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings which any member of our Group may suffer from not having obtained all relevant approvals, permits, licences and/or certificates for conducting its businesses;
- (d) any loss, liability, damages, claims, fines, penalties, orders, expenses and costs or loss of profits, benefits or other commercial advantages suffered by any member of our Group as a result of or in connection with
 - (i) the existing use of any premises demised by any of the properties occupied by us in Hong Kong and the PRC and/or building(s) erected thereon being unlawful;
 - (ii) the relocation of any office or factory or other place of business on the properties occupied by us in Hong Kong and the PRC by such Group member arising from or in connection with the existing use of any premises demised by any of the properties occupied by us in Hong Kong and the PRC and/or building(s) erected thereon being unlawful or, if applicable, the lessors' registration default in relation to the lease agreement to the extent that damages, if any, recovered from the relevant lessor are inadequate to cover the related costs of such Group member; and
 - (iii) all breaches, non-compliance and/or violation of, by any member of our Group on or before the Effective Date, any applicable laws, rules and/or regulations in Hong Kong and the PRC including but not limited to all the matters as referred to in the paragraph headed "Business — Legal proceedings and non-compliance" in this prospectus including, without limitation, the non-compliance arising from the late lodgment of import or export declarations for importations into or exportations from Hong Kong under the IAE Ordinance and its subsidiary legislation.

The provisions contained in the deed of indemnity are conditional on the conditions stated in the section headed “Structure and conditions of the Placing — Conditions of the Placing” in this prospectus being fulfilled or, to the extent permitted, waived by the relevant party. If such conditions are not fulfilled or, to the extent permitted, waived on or before the date falling 30 days from the date of this prospectus, or such later date as the parties to the deed of indemnity may agree, the deed of indemnity shall become null and void and cease to have effect.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands or the BVI is likely to fall on our Group members.

6. OTHER INFORMATION

6.1 Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sponsor is independent from our Company pursuant to Rule 6A.07 of the GEM Listing Rules. The sponsor’s fees payable by us in respect of Halcyon Capital Limited’s services as sole sponsor for the Listing is HK\$6,080,000 (excluding any disbursements).

6.2 Litigation

As of the Latest Practicable Date, no member of our Group 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 by or against our Group member, that would have a material adverse effect on our results of operations or financial condition of our Group.

6.3 Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$55,000 and are payable by our Company.

6.4 Promoters

Our Company has no promoter for the purpose of the GEM Listing Rules. 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 Placing and the related transactions described in this prospectus.

6.5 Agency fees or commissions received

Except as disclosed in the paragraph headed “Underwriting — Commission and expenses” in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

6.6 Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

<u>Name</u>	<u>Qualification</u>
Halcyon Capital Limited	a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activities (as defined in the SFO)
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Chiu & Partners	Legal adviser to our Company as to Hong Kong law
GFE Law Office	Qualified PRC lawyers
HLB Hodgson Impey Cheng Risk Advisory Services Limited	Internal control adviser
Ipsos Hong Kong Limited	Independent industry consultants

6.7 Consents of experts

Each of the experts referred to in the paragraph headed “6.6 Qualifications of experts” in this appendix, has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

6.8 Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies WUMP Ordinance insofar as applicable.

6.9 Taxation of holders of Shares**(a) *Hong Kong***

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares.

(c) *Consultation with professional advisers*

Intending holders of 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 Shares or exercising any rights attaching to them. It is emphasised that none of our Company, the Directors or the other parties involved in the Placing can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

6.10 Miscellaneous

- (a) Within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash, save as disclosed in this appendix and the section headed "History, development and reorganisation" in this prospectus;

- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
 - (iv) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares or debentures of our Company;
 - (v) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
 - (vi) our Company has no outstanding debentures, convertible debt securities.
- (b) Our principal register of members will be maintained by our principal registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our branch share registrar in Hong Kong, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.
- (c) The Directors confirm that up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 September 2014 (being the date to which the latest audited combined financial statements of our Group were made up).
- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (e) Our Directors have been advised that, under the Companies Law, the use of a Chinese name by our Company does not contravene the Companies Law.
- (f) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

6.11 Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) the written consents referred to under the paragraph headed “Appendix V Statutory and General Information — 6.7 Consents of experts” in this prospectus, and
- (b) copies of the material contracts referred to in the paragraph headed “Appendix V Statutory and General Information — 2.1 Summary of material contracts” in this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 40/F, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours from 9:00 a.m. up to 5:00 p.m. up to and including 23 February 2015:

- (a) our Memorandum and Articles of Association;
- (b) the Accountants’ Report prepared by HLB Hodgson Impey Cheng Limited in respect of the historical financial information of our Group for the two years ended 30 June 2014 and the three months ended 30 September 2014, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the companies now comprising our Group for each of the two years ended 30 June 2014 (or for the period since their respective dates of incorporation, where it is shorter), if any;
- (d) the report on the unaudited pro forma financial information of our Group prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the letters relating to the loss estimate of the Group for the 6 months ended 31 December 2014 prepared by the Sponsor and HLB Hodgson Impey Cheng Limited respectively, the texts of which are set out in Appendix III to this prospectus;
- (f) the Companies Law;
- (g) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited, summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;
- (h) the legal opinion prepared by GFE Law Office in respect of certain aspects of our Group and the property interests of our Group in the PRC;

- (i) the Industry Report;
- (j) the material contracts referred to in the paragraph headed “Appendix V Statutory and General Information — 2.1 Summary of material contracts” in this prospectus;
- (k) the written consents referred to in the paragraph headed “Appendix V Statutory and General Information — 6.7 Consents of experts” in this prospectus;
- (l) the rules of the Share Option Scheme; and
- (m) the service contracts and appointment letters referred to in the paragraph headed “Appendix V Statutory and General Information — 3.2 Directors’ service contracts and letters of appointment” in this prospectus.

ODELLA LEATHER HOLDINGS LIMITED
愛特麗皮革控股有限公司