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Post Hearing Information Pack of

Vision International Holdings Limited
威誠國際控股有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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Vision International Holdings Limited
威誠國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED]	**:**	**[REDACTED] Shares**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] and expected to be not less than HK$[REDACTED] per [REDACTED], plus brokerage of 1.00%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
[REDACTED]	**:**	**[REDACTED]**

Sole Sponsor

Giraffe Capital Limited

[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]

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A copy of this document, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection — 1. Documents delivered to the Registrar of Companies" in Appendix V to this document, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this document or any other documents referred to above.

The [REDACTED] is currently expected to be fixed by an agreement between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]) on the [REDACTED], which is scheduled on or about [REDACTED], and in any event not later than [REDACTED]. The [REDACTED] will be not more than HK$[REDACTED] per [REDACTED] and is currently expected to be not less than HK$[REDACTED] per [REDACTED] unless otherwise announced. The [REDACTED] (for itself and on behalf of the [REDACTED]) may, with our consent, reduce the indicative [REDACTED] range and/or the number of [REDACTED] stated in this document at any time prior to the morning of the last day for lodging applications under the [REDACTED]. If this occurs, notice of reduction of the indicative [REDACTED] range and/or the number of [REDACTED] will be published on the Stock Exchange's website at **www.hkexnews.hk**, the GEM website at **www.hkgem.com** and our website at **www.vision-holdings.com.hk**. If the [REDACTED] (for itself and on behalf of the [REDACTED]) and our Company are unable to reach an agreement on the [REDACTED] on or before [REDACTED], the [REDACTED] will not become unconditional and will lapse immediately.

The [REDACTED] have not been, and will not be, registered under the [REDACTED], as amended, or any state securities laws of the US and may not be offered, sold, pledged or transferred within the US, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the [REDACTED] and in accordance with any applicable US securities law.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document and the related [REDACTED], including the risk factors set out in the section headed "Risk Factors" in this document.

Prospective investors of the [REDACTED] should note that the [REDACTED] (for itself and on behalf of the [REDACTED]) is entitled to terminate the obligations of the [REDACTED] under the [REDACTED] by means of a notice in writing given to our Company by the [REDACTED] (for itself and on behalf of the [REDACTED]) upon the occurrence of any of the events set out in the section headed "[REDACTED] — [REDACTED] Arrangements and Expenses — [REDACTED] — Grounds for Termination" in this document, at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Should the [REDACTED] (for itself and on behalf of the [REDACTED]) terminate the [REDACTED], the [REDACTED] will not proceed and will lapse. Further details of these termination provisions are set out in the section headed "[REDACTED]" in this document. It is important that prospective investors refer to that section for further details.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the main board of the Stock Exchange 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 by publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at www.hkexnews.hk in order to obtain up-to-date information on companies listed on GEM.

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

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

You should rely only on the information contained in this document to make your investment decision. Our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] have not authorised anyone to provide you with information that is different from what is contained in the document. Any information or representation not included in the document must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our or their respective directors, or any other person or party involved in the [REDACTED].

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. You should read the whole document (including the appendices hereto, which constitute an integral part of this document) in its entirety before you decide to invest in the [REDACTED].

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed "Risk Factors" in this document. You should read this section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We are an apparel SCM services provider based in Hong Kong delivering one-stop solution to customers in Europe, predominantly Germany. According to the CIC Report, we are among approximately 100 specialised full-service apparel SCM companies which has the capacity to provide comprehensive apparel SCM services to customers. We have developed a vertically integrated business model and our services range across market trend analysis, product design and development, sourcing of suppliers, production management, logistics services and quality control. Through engaging us for apparel SCM services, our customers are able to focus their resources on their retail businesses and respond quickly to the fast-evolving changes of fashion industry, as they do not have to separately engage different suppliers for various types of services throughout the apparel supply chain.

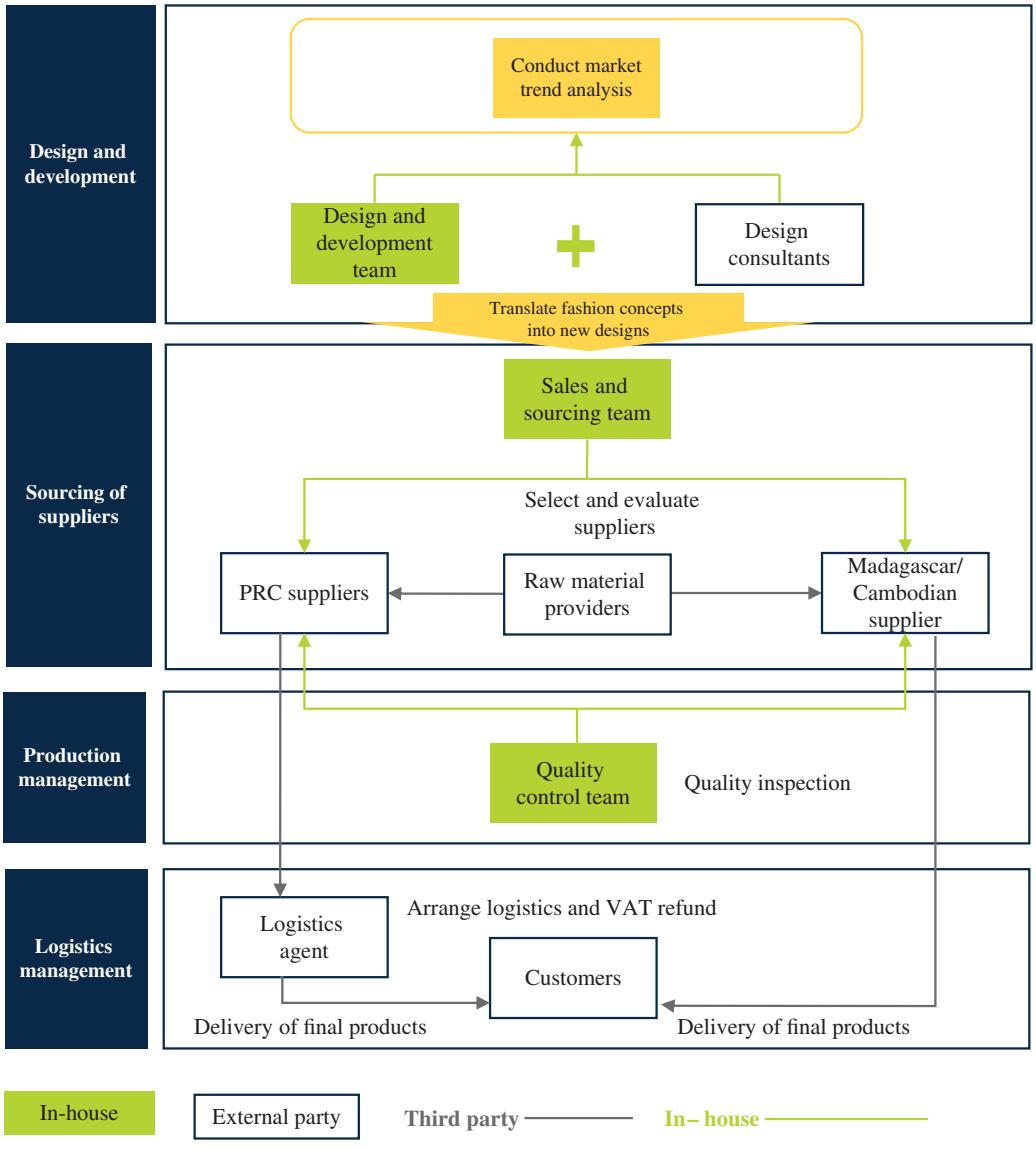
We have fostered a strong long-term partnership with most of our key customers which consist of large department stores and boutique shops offering fashion brands, as well as apparel sourcing agents. Our five largest customers during the Track Record Period include two of the largest German department stores: one of them was established in 1907, with over 60,000 square meters of gross floor area, and has over 50,000 customers daily; and the other one was established in 1911, with its stores operating across 18 cities in Germany and five other European countries. Our five largest customers during the Track Record Period also include a boutique shop with 60 stores across Germany. During the years ended 31 December 2015, 2016 and 2017, Germany was our key market and accounted for 92.7%, 100% and 90.2% of our total revenue for the same period, respectively. As at the Latest Practicable Date, we maintained business relationships with our five largest customers during the Track Record Period which ranged from two to seven years. With our proven record of service quality as well as our industry understanding and product know-how, we believe we have developed our reputation among customers in local apparel retail markets across Germany. We plan to further increase our geographic footprint to new apparel retail markets such as France and Hong Kong. According to the CIC Report, the apparel retail markets in Germany, France and Hong Kong where we have newly expanded our business and diversify our customer base are expected to grow steadily reaching EUR67.0 billion, EUR36.4 billion and HK$52.5 billion in 2020, respectively. In 2017, we expanded into the French and Hong Kong apparel markets and derived sales from Rodier, ZAPA and Sidefame Limited.

To focus our time and resources on provision of apparel SCM services, we outsource the manufacturing of all apparel products ordered by our customers, to our suppliers in the PRC, Madagascar and Cambodia. We have a thorough understanding of the manufacturing capabilities of suppliers in the PRC, Madagascar and Cambodia. With our well-connected network of suppliers, we can select suppliers to meet our customers' demands as to budgets, design specifications and manufacturing techniques. We are also able to monitor closely the overall production processes of these suppliers. Based on our production management, including monitoring production schedules and evaluating our suppliers' performance, we can ensure that our customers' orders are completed in accordance with relevant production schedules.

In 2016, we changed our business strategy to focus on large customers and develop business relationships with new customers of internationally renowned brands with substantial growth potential as a result of (i) the cessation of business relationship between Task, our largest customer for 2015, and our Group; (ii) the fact that our Group gradually ceased to supply products to small customers; and (iii) the fact that Customer B and Customer C, which were our third and fourth largest customers for 2015, ceased to place orders with us during the year ended 31 December 2016 as the Group developed less products collections as a result of the cessation of business with Task.

OUR BUSINESS MODEL

Our apparel SCM services mainly consist of the following: (i) design and development; (ii) sourcing of suppliers; (iii) production management; (iv) logistics management; and (v) quality control. The following diagram illustrates the operation flow involved in our apparel SCM services:



Please refer to the section headed "Business — Our Business" in this document for further details.

Design and Development

Our product development team conducts market researches on fashion magazines and websites, as well as keep updated with the latest fashion trends, styles and industry know-how. Based on the results of our market trend analysis, our product development team translates our fashion concepts into new designs. We communicate with our customers from time to time to obtain an understanding of their needs and specific requirements such as product designs, quantities, delivery time and target prices of the apparel products. Our design and development team develops our designed collections with the assistance from our design consultants. Please refer to the section headed "Business — Our Business — Design and Development" in this document for further details.

Sourcing of Suppliers

We engage our suppliers in the PRC, Madagascar and Cambodia to manufacture apparel products in accordance with our customers' orders. For the years ended 31 December 2015, 2016 and 2017, we engaged 16, nine and 14 suppliers. Other than one supplier in each of Madagascar and Cambodia, all our suppliers are located in the PRC. We select and evaluate suppliers of apparel products, as well as monitor their ongoing performance, based on internal guidelines and policies. Please refer to the section headed "Business — Our Business — Sourcing of Suppliers" in this document for further details.

Production Management

We provide production management services including, among other things, monitoring production schedules and evaluating our suppliers' performance. We perform on-site quality inspections during the production process using different inspection methods. Please refer to the section headed "Business — Our Business — Production Management" in this document for further details.

Logistics Management

We engage logistics service providers for the delivery of finished products from the PRC to ports and/or warehouses specified by customers. We also engage an agent for custom clearance, VAT refund applications, settlement of the purchase cost of the finished products as well as other administrative matters between PRC suppliers and logistics service providers. Moreover, our Madagascar and Cambodian suppliers make custom clearance and logistics arrangement themselves to deliver the finished products to the ports of Madagascar or Cambodia, as the case may be, before they are shipped or delivered to the designated ports or warehouse specified by our customers. Please refer to the section headed "Business — Our Business — Logistics Management" in this document for further details.

SALES AND CUSTOMER SERVICES

We focus on maintaining business relationships with our existing customers through various means. We also engage Task, an Independent Third Party, as external consultant to enhance our ability to handle customer enquiries and follow up with customers on product deliveries. Please refer to the section headed "Business — Sales and Customer Services" for further details.

QUALITY CONTROL

We maintain a quality control programme for the apparel products throughout the production process manufactured by our suppliers, with the view to ensuring the overall quality of the apparel products. We have implemented procedures to evaluate new suppliers and monitor our suppliers' on-going performance. Our quality control team performs on-site inspections on the raw materials to be used on the apparel products to ensure they meet the relevant specifications. Moreover, we carry out inspections on the apparel products ordered by our customers during the production process using different inspection methods. Please refer to the section headed "Business — Quality Control" in the document for further details.

PRODUCTS

During the Track Record Period, the apparel products that our customers ordered from us comprised a wide variety of middle to high-end knitwear products, T-shirts and woven products in modern classic designs. Such apparel products are targeted at middle to high-end sectors in the apparel markets. According to the CIC Report, mid-end apparels have an average retail price of US$30–US$200 per piece, while high-end apparels have an average retail price of over US$200 per piece. Please refer to the section headed "Business — Products" in the document for further details.

PRICING POLICY

We price our apparel products based on the following factors: (i) the estimated retail price of such apparel products, after taking into account the retail prices of similar apparel products in the market; (ii) volume of orders and timing of delivery; (iii) estimated cost of such apparel products based on fee quotations received from our suppliers; (iv) estimated mark-up margins we charge; and (v) estimated effect of relevant foreign exchange rates due to market conditions.

After we confirm the product designs and specifications with a customer, we estimate the retail price of apparel products, after taking into account the retail prices of similar apparel products in the apparel retail markets, and set our selling price which is determined at a discount to the estimated retail price. Our selling price to our customers usually range from 25.0% to 35.0% of the retail price. Retail prices of similar apparel products is one of the key factors to our pricing policy. We will also adjust our selling price with reference to the factors as described above. We, however, have no control over the retail price of similar apparel products in the market. Due to the nature of knitwear products, especially cashmere products, the retail selling prices are generally higher, as compared to those of other apparel products. Despite we have no control over the retail prices of similar apparel products in the market, the retail prices of knitwear products are relatively stable, and in order to maximize our profitability, we set the selling prices at a discount to the estimated retail prices of similar apparel products. We then place production orders to our suppliers and request them to manufacture product samples. We provide our final selling price of apparel products to our customers when our customers indicate interest in placing orders with us after seeing the product samples. Once we provide the final selling price to our customers, no adjustment is allowed to be made to such price.

OUR CUSTOMERS

Our customers during the Track Record Period were based in Europe, predominantly Germany. Our customers consist of large department stores, boutique shops and apparel sourcing agents. We do not enter into long-term agreements with our customers and our Directors believe that this is in line with common practice in the Hong Kong apparel SCM industry. Our business relationship with our top five customers during the Track Record Period ranged from two to seven years. During the year ended 31 December 2017, we further expanded our customer base into other global major markets including France and Hong Kong. Please refer to the section headed "Business — Our Customers" in this document for further details.

OUR SUPPLIERS

We have a well-connected network of suppliers which enables us to have abundant candidates of suppliers to choose from. Except for two suppliers located in Madagascar and Cambodia respectively, all of our suppliers are located in the PRC. For the years ended 31 December 2015, 2016 and 2017, we have engaged 16, nine and 14 suppliers. When determining whether to allocate production orders to suppliers in the PRC, Madagascar, or Cambodia, we would take into consideration their prices, technical capabilities, production capacities and delivery schedules. Suppliers in different regions of the PRC have their own competitive strengths. Please refer to the section headed "Business — Our Suppliers" in this document for further details.

DEVELOPMENT OF OUR BUSINESS

Our Group's performance experienced a change from the year ended 31 December 2015 to the year ended 31 December 2016, mainly due to (i) cessation of business relationship between Task and our Group; and (ii) the fact that our Group gradually ceased to supply products to our small customers. In addition, as a result of the cessation of business with Task, we developed less products collection and two of our key customers, namely Customer B and Customer C, ceased to place orders with us during the year ended 31 December 2016. Set out below are the detailed circumstances leading to, and our strategies dealing with, such incidents.

A. Our Relationship with Task and the Acquisition of Trademarks under the Brands

Our revenue derived from sales to Task amounted to HK$27.2 million for the year ended 31 December 2015, and Task was our largest customer for that year. All the apparel products we supplied to Task were under the Brands. The Brands were developed by Mr. SAW, an Independent Third Party and a business partner of Mr. Murray Ko for certain businesses which mainly involved property development.

In 2012, Mr. SAW started gradually developing his other businesses including property development projects in Asia, and licensed the Brands to Task so it could take up all the sales orders from customers in Germany as an apparel sourcing agent. Task in turn engaged our Group to provide one-stop apparel SCM services. In late 2015, Mr. SAW intended to further focus his time and resources on his other personal businesses and investments and decided to cease his apparel business. Through Task, Mr. SAW explored the possibility of selling and transferring the Brands to us at an asking price of HK$20 million to HK$30 million, and he also requested a certain profit sharing arrangement from sales to be generated from these Brands in future. Our Directors did not accept such offer after taking into

account a number of commercial factors. As a result, the proposed sale and acquisition of the Brands did not materialise. Mr. SAW subsequently terminated Task's licence to use the Brands. Task ceased its business as an apparel sourcing agent and discontinued purchasing apparel products from our Group. Our sales to Task decreased from HK$27.2 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016.

In 2017, our Directors reconsidered our business strategies. Through our communication and discussion with our then existing and potential customers, our Directors became aware of the considerable market demand for apparel products under the Brands. After further negotiation with Mr. SAW, he was willing to lower the asking price to HK$10 million without any profit sharing arrangement. The fair value of the Brands was derived based on the net present value of the expected future cashflow attributable to the cost savings in royalty assumed to be required as if our Group was not entitled to use the Brands. We have made the assumptions that the CAGR of revenue from the sale of products under the Brands from the year ending 31 December 2019 to the year ending 31 December 2026 to be 9.7%, the royalty rate of 5%, the useful life for the Brands of ten years, and a discount rate of 17.0%. Based on the projected revenue contribution from the sales of the apparel products under the Brands which represents the cost saving after acquisition of the Brands, our Directors believe that the consideration of HK$10 million for acquiring the Brands was reasonable. The acquisition was completed in 2017. Following the acquisition, our sales of apparel products under the Brands for the year ended 31 December 2017 amounted to HK$9.6 million and represented 13.4% of our total turnover for that year. Our Directors believe that there will be no significant change to our business model and cost structure, for the reason that we have continued to operate as an apparel SCM service provider. We intend to promote and enhance the awareness of the Brands to our target corporate customers through direct communication of the philosophy of the Brands and cooperation with these customers for product design and development incorporating the Brands' image and attributes. Our Directors do not currently intend to carry out activities to promote the Brands' awareness among retail consumers. As such, we do not expect to incur significant selling and distribution expenses to manage the Brands. The promotion of products developed under the Brands (which combined the philosophy, image and attributes of the Brands, together with the designs and specifications of our customers) to end consumers, is undertaken by our customers.

B. Our Decision to Focus on Large Customers and Develop New Customers

As triggered by the cessation of our business relationship with Task, our Directors conducted a review of our corporate strategies and concluded that we should focus our manpower, time and resources on maintaining relationships with certain key customers and developing business relationships with new customers of internationally renowned brands with substantial growth potential. Upon further review of our customer base with reference to our sales for the year ended 31 December 2015, we classified those customers with an annual transaction value of less than HK$2.5 million with our Group as small customers, and such customers were mostly retail stores owned by individuals or families in Germany, as well as apparel sourcing agents with low transaction volume with our Group. Our Group gradually ceased supplying products to such customers.

Our Directors consider customers possess the characteristics and attributes of being high quality when they are beneficial for the Group's long-term sustainable development. At the current stage, the Directors are of the view that customers of internationally renowned brands with growth potential possess such characteristics and attributes of being high quality customers. During the year ended 31

December 2017, we developed three new customers, namely, Rodier, ZAPA and Sidefame Limited, with actual sales of HK$6.2 million. With the improved actual results of our Group for the year ended 31 December 2017, our business strategies are proven to be successful: (i) an increase in sales from our existing customers located in Germany from HK$46.0 million for the year ended 31 December 2016 to HK$64.4 million for the year ended 31 December 2017; (ii) the three new internationally renowned customers we successfully developed with actual sales of HK$6.2 million for the year ended 31 December 2017; (iii) our sales under the Brands for the year ended 31 December 2017 of HK$9.6 million. Our total revenue increased by HK$25.4 million, or by 55.2%, from HK$46.0 million for the year ended 31 December 2016 to HK$71.4 million for the year ended 31 December 2017. Please refer to the section headed "Business — Our Customers — Development of Our Business" in this document for further details.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths will enable us to compete effectively in the Hong Kong apparel SCM industry: (i) our vertically integrated business model has enabled us to provide one-stop apparel SCM services; (ii) we have maintained strong business relationships with customers in European apparel retail markets; (iii) we have established a well-connected network of suppliers to manufacture apparel products in accordance with customers' demands; and (iv) our management team has extensive experience and in-depth knowledge in provision of apparel SCM services. Please refer to the section headed "Business — Our Competitive Strengths" in this document for further details.

OUR BUSINESS STRATEGIES

With our objective of becoming a key market player in the Hong Kong apparel SCM industry, we plan to continue to strengthen our key market player position in the apparel SCM industry in Hong Kong and enhance our overall competitiveness and market share. We intend to achieve our objectives by adopting the following key business strategies: (i) continue our growth by solidifying our relationship with existing customers and exploring new customers; (ii) increase our geographic footprint to new apparel retail markets; (iii) set up a new showroom to showcase our product offerings; (iv) strengthen our design and development capabilities to develop new design collections; and (v) enhance our quality control process. Please refer to the section headed "Business — Our Business Strategies" in this document for further details.

COMPETITIVE LANDSCAPE

According to the CIC Report, the Hong Kong apparel SCM market is highly fragmented and competitive with more than 10,000 companies, which can be categorised into three categories (i) specialised full-service apparel SCM companies; (ii) full-service apparel SCM companies that are involved in other businesses; and (iii) partial-service apparel SCM companies. We belong to the type of specialised full-service apparel SCM company and have a market share of 0.3% in 2016 in terms of revenue. Please refer to the section headed "Industry Overview — The Hong Kong Apparel SCM Market — Competitive Landscape" in this document for further details.

OUR SHAREHOLDING STRUCTURE

Immediately upon completion of the [REDACTED] and the [REDACTED], without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, Mr. Ko, who is the sole shareholder of Metro Vanguard, will indirectly own [REDACTED]% of our Company's entire issued share capital through his interest in Metro Vanguard. As such, each of Mr. Ko and Metro Vanguard is regarded as a Controlling Shareholder. Please refer to the section headed "History and Reorganisation" in this document for further details.

Our Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, none of the Controlling Shareholders, our Directors and their respective close associates is interested in any business which competes, or may compete, directly or indirectly, with the business of our Group, or would otherwise require disclosure under Rule 11.04 of the GEM Listing Rules. Please refer to the section headed "Relationship with Controlling Shareholders" in this document for further details.

SUMMARY OF FINANCIAL PERFORMANCE

The following tables summarise the consolidated financial information of our Group during the Track Record Period, which are extracted from the Accountants' Report as set out in Appendix I to this document. The summary financial data should be read in conjunction with the consolidated financial information in the Accountants' Report as set out in Appendix I to this document.

Key Information in Our Consolidated Statements of Profit or Loss

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	110,839	46,016	71,399
Cost of sales	(73,779)	(24,615)	(44,867)
Gross profit	37,060	21,401	26,532
Other income	30,747	28,256	22,270
Profit before taxation	56,867	45,209	25,192
Profit for the year	53,300	42,874	22,465
Adjusted profit for the year (excluding [REDACTED] expenses and financial guarantee income) (2)	23,448	14,888	13,032
Adjusted EBITDA(1) for the year (excluding [REDACTED] expenses and financial guarantee income) (2)	27,902	17,762	16,661

Notes:

(1) EBITDA means earnings before interest expenses, taxes, depreciation and amortisation.

(2) "Adjusted EBITDA(1) for the year (excluding [REDACTED] expenses and financial guarantee income)" and "Adjusted profit for the year (excluding [REDACTED] expenses and financial guarantee income)" are non-HKFRSs measure which are not defined in HKFRSs or presented in the Accountants' Report as set out in Appendix I to this document, and are presented for illustration purpose only.

Revenue

Our revenue during the Track Record Period derived from (i) sale of knitwear products; (ii) sale of T-shirts; and (iii) sale of woven products. The following table sets out a breakdown of our revenue by product category for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	HK$'000	*% of total revenue*	*HK$'000*	*% of total revenue*	*HK$'000*	*% of total revenue*
Knitwear products	82,113	74.1	39,385	85.6	66,191	92.7
T-shirts	13,282	12.0	3,504	7.6	2,371	3.3
Woven products	15,444	13.9	3,127	6.8	2,837	4.0
	110,839	100.0	46,016	100.0	71,399	100.0

The decrease in our revenue for the year ended 31 December 2016 compared to the year ended 31 December 2015 was mainly due to (i) the decrease in sales to Task from HK$27.2 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016 (the sales to Task in 2015 represented 24.5% of our total sales for the year ended 31 December 2015); (ii) we lost two of our top five customers for the year ended 31 December 2015 as our Group developed less product collections as a result of the cessation of business relationship with Task and they ceased to place orders with the Group during the year. Sales to these two customers decreased by HK$15.4 million (such decrease represented 13.9% of our total sales for the year ended 31 December 2015) from HK$19.2 million for the year ended 31 December 2015 to HK$3.8 million for the year ended 31 December 2016; and (iii) we gradually ceased to supply products during the year ended 31 December 2016 to small customers, and our aggregate sales to small customers decreased by HK$17.9 million (such decrease represented 16.1% of our total sales for the year ended 31 December 2015) from HK$20.1 million for the year ended 31 December 2015 to HK$2.2 million for the year ended 31 December 2016.

Our revenue of HK$71.4 million for the year ended 31 December 2017 was lower than HK$110.8 million for the year ended 31 December 2015, mainly due to (i) the decrease in sales to Task from HK$27.2 million for the year ended 31 December 2015 to nil and nil for the years ended 31 December 2016 and 2017, respectively. Despite that we recorded sales of HK$8.9 million for products under the Brands sold to Customer F for the year ended 31 December 2017, it takes time for the sales of products under the Brand to ramp up to the similar level of the year ended 31 December 2015; (ii) we ceased sales to small customers starting from the year ended 31 December 2016, and sales to small customers amounted to HK$5.9 million for the year ended 31 December 2017 as compared to HK$20.1 million for the year ended 31 December 2015. During the year ended 31 December 2017, we developed several new customers and they were classified as small customers (i.e customers who had sales value with us less than HK$2.5 million) during the year ended 31 December 2017 and we expected them to become our large customers starting from the year ending 31 December 2018; and (iii) we lost two customers who were our top five customers for the year ended 31 December 2015, which our Group has been developing other new customers as described in (ii) above and expects sales from them to increase.

Our revenue for the year ended 31 December 2017 increased, as compared to that for the year ended 31 December 2016, primarily attributable to (i) the increase in sales from our existing customers located in Germany; (ii) our expansion into French and Hong Kong apparel markets; and (iii) our sales derived from the Brands.

Gross Profit Margin

The table below sets forth a breakdown of our gross profit and gross profit margin for our product for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	HK$'000	*Gross Profit Margin %*	*HK$'000*	*Gross Profit Margin %*	*HK$'000*	*Gross Profit Margin %*
Knitwear products	27,050	32.9%	18,780	47.7%	24,807	37.5%
T-shirts	5,114	38.5%	1,499	42.8%	917	38.7%
Woven products	4,896	31.7%	1,122	35.9%	808	28.5%
Overall	37,060	33.4%	21,401	46.5%	26,532	37.2%

The table below sets forth a breakdown of gross profit and gross profit margin by customer type for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	HK$'000	*Gross Profit Margin %*	*HK$'000*	*Gross Profit Margin %*	*HK$'000*	*Gross Profit Margin %*
Apparel sourcing agent	25,471	34.9%	11,504	43.2%	16,737	34.1%
Department store	6,749	33.2%	5,544	53.4%	5,225	54.4%
Boutique shop	4,840	27.8%	4,353	48.3%	4,570	36.0%
	37,060	33.4%	21,401	46.5%	26,532	37.2%

Our gross profit margin increased from 33.4% for the year ended 31 December 2015 to 46.5% for the year ended 31 December 2016, primarily due to (i) a decrease in the price of cashmere, our principal raw material for knitwear products; (ii) an increase in the unit selling price of our products; and (iii) appreciation of EUR against Hong Kong dollar throughout 2016. Our gross profit margin decreased from 46.5% for the year ended 31 December 2016 to 37.2% for the year ended 31 December 2017, mainly due to the stabilisation of cashmere price.

Other Income

Our other income mainly represented our financial guarantee income which amounted to HK$29.9 million, HK$28.0 million and HK$21.5 million for the years ended 31 December 2015, 2016 and 2017, respectively. As our Group provided cross financial guarantee in favour of banks for bank loans of certain related companies, such arrangement resulted in a financial guarantee liability recognised at fair value at initial recognition (i.e. if the related companies acting as borrowers fail to fulfill their repayment and other obligations owed to the banks in relation to the bank loans, our Group as guarantor would be liable to repay such banks for the borrowers in relation to the financial guarantee provided). Such financial guarantee liability will be amortised over the term of the financial guarantee contract and be recognised as financial guarantee income. Such financial guarantee provided by our Group will be released upon the [REDACTED] and the related financial guarantee income will not recur after the [REDACTED]. As a result, we will not recognise any financial guarantee income after [REDACTED] and our net profit is expected to decrease significantly.

Profit for the Year

Our profit for the year decreased by HK$10.4 million, or by 19.6%, from HK$53.3 million for the year ended 31 December 2015 to HK$42.9 million for the year ended 31 December 2016. Our net profit margin increased from 48.1% for the year ended 31 December 2015 to 93.2% for the year ended 31 December 2016. The increase in net profit margin was mainly attributable to the financial guarantee income of HK$28.0 million recognised during the year. Our net profit decreased by HK$20.4 million, or by 47.6%, from HK$42.9 million for the year ended 31 December 2016 to HK$22.5 million for the year ended 31 December 2017 and our net profit margin decreased from 93.2% to 31.5% during the same year, mainly due to the [REDACTED] expenses of HK$[REDACTED] million recognised for the year ended 31 December 2017.

Excluding [REDACTED] expenses and financial guarantee income, our adjusted profit for the year decreased by HK$8.6 million, or by 36.5%, from HK$23.5 million for the year ended 31 December 2015 to HK$14.9 million for the year ended 31 December 2016 due to the decrease in sales. Our adjusted net profit margin increased from 21.2% to 32.4% for the same year, which was mainly due to an increase in gross profit margin. Our adjusted profit for the year decreased by HK$1.9 million, or by 12.5%, from HK$14.9 million for the year ended 31 December 2016 to HK$13.0 million for the year ended 31 December 2017 and our adjusted net profit margin decreased from 32.4% to 18.3% during the same year, mainly due to the decrease in net gain on structured foreign currency forward contract and net exchange gain as (i) our functional currency was changed to US dollars during the year ended 31 December 2017 as a majority of our sales were denominated in US dollars during the year ended 31 December 2017; and (ii) we entered into less structured foreign currency forward contract during the year ended 31 December 2017 following the change in functional currency.

The table below sets out a reconciliation of our adjusted net profit for the years indicated:

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	53,300	42,874	22,465
Add [REDACTED] expense	—	—	12,115
Less financial guarantee income	(29,852)	(27,986)	(21,548)
Adjusted profit for the year (excluding [REDACTED] expenses and financial guarantee income)	23,488	14,888	13,032

For further details, please refer to the sections headed "Financial Information — Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income" and "Financial Information — Year to Year Comparison of the Results of Operations" in this document.

Key Information in Our Consolidated Statements of Financial Position

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Current assets	93,462	63,549	44,762
Current liabilities	70,648	40,789	16,706
Non-current assets	10	10	10,184
Non-current liabilities	—	—	343

Key Information in Our Consolidated Statements of Cash Flows

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Operating cash flows before movements in working capital	25,774	15,420	4,615
Net cash from (used in) operating activities	33,227	5,255	(746)
Net cash (used in) from investing activities	(18,139)	12,167	12,080
Net cash used in financing activities	(21,752)	(36,995)	(14,136)
Net decrease in cash and cash equivalents	(6,664)	(19,573)	(2,802)
Cash and cash equivalents at the beginning of the year	60,403	48,345	25,691
Effect of foreign exchange rate changes	(5,394)	(3,081)	878
Cash and cash equivalents at the end of the year	48,345	25,691	23,767

Our Group's cash flow from operating activities before changes in working capital excluding the [REDACTED] expenses amounted to HK$25.8 million, HK$15.4 million and HK$16.7 million for the years ended 31 December 2015, 2016 and 2017. Please refer to the section headed "Financial Information — Liquidity and Financial Resources — Cash Flow of Our Group" in this document for further details.

Key Financial Ratios

		Year ended 31 December		
	Notes	**2015**	**2016**	**2017**
Return on equity	*1*	203.8%	188.1%	74.1%
Return on total assets	*2*	55.7%	54.6%	37.9%
Interest coverage ratio (times)	*3*	65.1	84.9	64.5

		As at 31 December		
	Notes	**2015**	**2016**	**2017**
Current ratio (times)	*4*	1.3	1.6	2.7
Gearing ratio	*5*	164.3%	57.0%	17.9%

Notes:

1. Return on equity for each of the years ended 31 December 2015, 2016 and 2017 was calculated based on the net profit of the respective year divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.
2. Return on total assets for each of the years ended 31 December 2015, 2016 and 2017 was calculated based on the net profit of the respective year divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.
3. Interest coverage ratio was calculated by dividing profit before interest and tax by the finance cost for each of the years ended 31 December 2015, 2016 and 2017.
4. Current ratio was calculated by dividing total current assets by total current liabilities as at 31 December 2015, 2016, and 2017.
5. Gearing ratio was calculated by dividing total debts by total equity as at 31 December 2015, 2016 and 2017.

Please refer to the section headed "Financial Information — Key Financial Ratios" in this document for further details.

SEASONALITY

Our business and results of operations are subject to seasonal fluctuations. Under our business model, we make delivery of our products for the fall/winter season from May to July, and for the spring season from October to December. Accordingly, we achieve higher revenue in the periods of May to July and October to December.

[REDACTED] EXPENSES

Assuming an [REDACTED] of HK$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per Share, the total estimated [REDACTED] expenses in connection with the [REDACTED] (including [REDACTED] commission) would be HK$[REDACTED] million.

For the years ended 31 December 2015, 2016 and 2017, [REDACTED] expenses of [REDACTED], [REDACTED] and HK$[REDACTED] million, respectively, were recognised as expense in the consolidated statement of profit or loss. For the year ending 31 December 2018, we estimate that the [REDACTED] expenses of HK$[REDACTED] million will be recognised as expense in the consolidated statement of profit or loss and HK$[REDACTED] million will be capitalised upon the [REDACTED] in accordance with the relevant accounting standards.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period, we have continued to extend our client base in the apparel SCM industry. From 1 January 2018 up to the Latest Practicable Date, we continued to develop our SCM business and recorded sales from our new and existing customers in Germany, France, Hong Kong and Austria.

Due to the nature of our operation, we experience seasonality and we usually record higher sales from May to July and from October to December. Based on the unaudited management accounts of our Group for the two months ended 28 February 2018, which have been reviewed by the Reporting Accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, our total revenue for such period amounted to HK$7.3 million, which represented an increase of HK$3.2 million from HK$4.1 million for the two months ended 28 February 2017. As at the Latest Practicable Date, we received sales order on hand amounted to HK$66.5 million, out of which sales order on hand from two new customers in Austria, which we engaged in 2018, amounted to HK$1.6 million, and sales order on hand from Rodier and ZAPA, which we had engaged in 2017, amounted to HK$6.6 million and HK$7.3 million, respectively.

As disclosed in the paragraphs headed "— [REDACTED] Expenses" and "— Factors Affecting Our Financial Conditions and Results of Operations — Foreign Currency Exposure" in this section, our net profit for the year ending 31 December 2018 is expected to be affected by the estimated expenses in relation to the [REDACTED]. Our Directors have confirmed that save as disclosed in the subsections above-mentioned, up to the date of this document, there has been no material adverse change in our financial or trading position since 31 December 2017, the end of the period reported in the Accountants' Report as set out in Appendix I to this document, and there has been no event since 31 December 2017 which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this document.

LITIGATION AND REGULATORY COMPLIANCE

As at the Latest Practicable Date, we were not engaged/involved in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened against us, that would have a material adverse effect on the operating results, financial condition and reputation of our Group. Furthermore, we were not involved in any material non-compliance or systemic non-compliance incidents, in respect of applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date. Please refer to the section headed "Business — Legal Proceedings, Claims and Compliance" in this document for further details.

[REDACTED] STATISTICS

The [REDACTED] comprises the following: (i) the [REDACTED] of initially [REDACTED] Shares; and (ii) the [REDACTED] of initially [REDACTED] Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure and Conditions of the [REDACTED]" in this document. The following table sets out certain [REDACTED] related data, assuming that the [REDACTED] has been completed:

	Based on the [REDACTED] of HK$[REDACTED] per [REDACTED]	**Based on the [REDACTED] of HK$[REDACTED] per [REDACTED]**
Market capitalisation at the [REDACTED]	HK$[REDACTED]	HK$[REDACTED]
Unaudited pro forma adjusted net tangible assets per Share	HK$[REDACTED]	HK$[REDACTED]

Please refer to Appendix II to this document for further details.

[REDACTED]

We estimate we will receive HK$[REDACTED] million [REDACTED] from the [REDACTED] after deducting [REDACTED] and other estimated expenses paid and payable by us in connection with the [REDACTED], assuming an [REDACTED] of HK$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range. We intend to use the [REDACTED] from the [REDACTED] for the following purposes:

Approximate percentage and amount of [REDACTED]	**Intended applications**
[REDACTED]%, or HK$[REDACTED] million	Solidifying our relationship with existing customers and exploring new customers
[REDACTED]%, or HK$[REDACTED] million	Setting up a new showroom to showcase our product offerings
[REDACTED]%, or HK$[REDACTED] million	Strengthening our design and development capabilities to develop new design collections
[REDACTED]%, or HK$[REDACTED] million	Enhancing our quality control process
[REDACTED]%, or HK$[REDACTED] million	Repaying our bank borrowings
[REDACTED]%, or HK$[REDACTED] million	Funding our general working capital needs

Please refer to the section headed "Statement of Business Objectives and [REDACTED]" of this document for further details.

DIVIDENDS AND DISTRIBUTABLE RESERVES

A subsidiary of our Company declared dividends of HK$3.4 million, HK$14.8 million and HK$4.3 million for the years ended 31 December 2015, 2016 and 2017, to its shareholder, respectively. Please refer to note 12 to the Accountants' Report set out in Appendix I to this document for further details.

Our Company was incorporated in the Cayman Islands on 19 January 2017. In April 2018, our Company declared dividends of HK$6.5 million to the then Shareholder, which has been settled in full by cash through our internal resources. Subject to the Companies Law and the Articles, our Company may declare dividends in any currency, but no dividend shall be declared in excess of the amount recommended by our Board. We do not have any dividend policy as at the Latest Practicable Date. The declaration and payment of dividends and the amount of dividends in the future will be at the discretion

of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. There were no distributable reserves of our Company available for distribution to our Shareholders as at the Latest Practicable Date. Please refer to section headed "Financial Information — Dividends and Distributable Reserves" in this document for further details.

RISK FACTORS

There are risks associated with your investment in the [REDACTED], among which, the relatively material risks are (i) we rely on a limited number of major customers; (ii) failure to respond to changes in fashion trends as well as the preferences of our customers and end consumers may result in deterioration in our business performance; (iii) we rely on our suppliers for the manufacturing of apparel products; and (iv) our results of operations may be adversely affected by an increase in the costs of raw materials or labour; and (v) the acquisitions of Brands could expose us to risks that may have a material adverse effect on our business, reputation and results of operations. You should read the entire section headed "Risk Factors" in this document carefully before you decide to invest in the [REDACTED].

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions have the following meanings:

"Accountants' Report"	the accountants' report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document
[REDACTED]	[REDACTED]
"Articles of Association" or "Articles"	the articles of association of our Company adopted on 16 April 2018 with effect upon the [REDACTED], a summary of which is contained in Appendix III to this document, and as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Board"	the board of Directors
"Brands"	"GC Fontana" and "GC Fontana Cashmere" brands, which our Group acquired in July 2017
"business day"	any day (other than a Saturday and Sunday and public holiday) on which banks in Hong Kong are generally open for normal banking business
"Business Registration Ordinance"	the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) as amended, supplemented and/or otherwise modified from time to time
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate, a method of assessing the average growth of a value over a certain time period
[REDACTED]	[REDACTED]
"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
"CIC"	China Insights Consultancy Limited, an Independent Third Party, which is a market research company with a focus on industry, country, company and consumer lifestyle research
"CIC Report"	an industry research report issued by CIC as commissioned by our Company
"close associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
[REDACTED]	[REDACTED]
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
"Companies Registry"	the Companies Registry of Hong Kong
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented and/or otherwise modified from time to time
"Company"	Vision International Holdings Limited (威誠國際控股有限公司), an exempted company incorporated in the Cayman Islands on 19 January 2017 with limited liability and references to "we", "us" or "our" refer to our Group or, where the context requires, our Company
"connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"connected transaction"	has the meaning ascribed thereto under the GEM Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed thereto under the GEM Listing Rules, and in the context of this document, refers to Mr. Ko and Metro Vanguard
"core connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Corporate Governance Code and Corporate Governance Report" or "CG Code"	Appendix 15 to the GEM Listing Rules (as amended, supplemented or otherwise modified from time to time)
"Deed of Indemnity"	the deed of indemnity dated on 16 April 2018 and executed by the Controlling Shareholders as indemnifiers in favour of our Company (for ourselves and as trustee for our present subsidiaries) in respect of, among others, certain indemnities particulars of which are set out in the section headed "Statutory and General Information — E. Other Information — 1. Tax and Other Indemnities" in Appendix IV to this document
"Deed of Non-Competition"	the deed of non-competition dated 16 April 2018 and executed by the Controlling Shareholders as covenantors in favour of our Company (for ourselves and as trustee of the members of our Group), particulars of which are set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-Competition" in this document
"Director(s)"	the director(s) of our Company
"Easy Rich"	Easy Rich Industries Limited (怡裕實業有限公司), a company incorporated in Hong Kong on 29 January 1985 with limited liability, which is ultimately wholly-owned by Mr. Murray Ko and his spouse
"EU"	the European Union
"Euro", "€" or "EUR"	the lawful currency used by the Institutions of the European Union and the official currency of the eurozone
"First Top"	First Top (Shanghai) Trading Co. Ltd. (甲鋒(上海)國際貿易公司), a company incorporated in the PRC on 4 January 2011 with limited liability, which was ultimately owned by Mr. Ko and Mr. Morris Ko prior to 28 March 2017, and is presently an Independent Third Party
"Future Land Resources"	Future Land Resources Securities Limited, a licensed corporation to conduct type 1 (dealing in securities) regulated activity under the SFO
"GEM"	GEM operated by the Stock Exchange

"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM (as amended, supplemented and/or otherwise modified from time to time)
[REDACTED]	[REDACTED]
"HKFRSs"	the Hong Kong Financial Reporting Standards, issued by the Hong Kong Institute of Certified Public Accountants
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"HK$" or "Hong Kong dollar"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
[REDACTED]	[REDACTED]
"Independent Third Party(ies)"	person(s) or company(ies) who or which is/are independent of and not connected with any directors, chief executive or substantial shareholders of our Company or its subsidiaries or any of their respective associates within the meaning of the GEM Listing Rule
"Latest Practicable Date"	13 April 2018, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Market Gala"	Market Gala Limited, a company incorporated in the BVI on 10 March 2010 with limited liability, which is a wholly-owned subsidiary of our Company
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company conditionally adopted on 16 April 2018 with effect upon the [REDACTED], a summary of which is set out in Appendix III to this document, and as amended from time to time

"Meridian"	Meridian Industries Limited (勗灝實業有限公司), a company incorporated in Hong Kong on 16 February 1982 with limited liability, which is ultimately owned by Mr. Murray Ko and his spouse
"Metro Vanguard"	Metro Vanguard Limited, a company incorporated in the BVI on 28 November 2016 with limited liability, which is wholly owned by Mr. Ko
"Mr. Ko"	Mr. Ko Sin Yun (高銑印), our executive Director, chairman of the Board and one of our Controlling Shareholders
"Mr. Morris Ko"	Mr. Ko Man Ho (高文灝), our executive Director, the chief executive officer and the son of Mr. Ko
"Mr. Murray Ko"	Mr. Ko Sek Yan (高錫印), the elder brother of Mr. Ko
"Ms. Chan"	Ms. Chan Sau Fung (陳秀鳳), the spouse of Mr. Ko
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"our Group", "we" or "us"	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were our Company's subsidiaries at that time
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]
"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this document, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Predecessor Companies Ordinance"	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong), which was in force before 3 March 2014
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Reorganisation"	the reorganisation of the corporate structure of our Group, further details of which are described under the section headed "History and Reorganisation — Reorganisation" in this document
"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC

"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
"Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of our Company
"Shareholders(s)"	holder(s) of our Share(s)
[REDACTED]	[REDACTED]
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 16 April 2018, further details of which are described in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this document
[REDACTED]	[REDACTED]
"Sole Sponsor"	Giraffe Capital Limited, a licensed corporation to conduct type 6 (advising on corporate finance) regulated activity under the SFO
"sq.ft."	square feet
"Star Asia"	Star Asia Trading Limited (上海時佳貿易有限公司), a company incorporated in the PRC on 15 June 2011 with limited liability, which is ultimately controlled by Mr. Murray Ko and his spouse
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it under the GEM Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rule
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Task"	Task Mode Verwaltungsgesellschaft mbH, a company incorporated in Germany on 25 May 2012 with limited liability, which is an Independent Third Party
"Track Record Period"	the three financial years ended 31 December 2017
[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]
"US" or "United States"	the United States of America
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
[REDACTED]	[REDACTED]
"VAT"	value-added tax
"Vision Garments"	Vision Garments Limited (威誠製衣有限公司), a company incorporated in Hong Kong on 17 March 2010 with limited liability, which is an indirect wholly-owned subsidiary of our Company
"Wenco"	Wenco Holdings Limited, a company incorporated in Hong Kong on 4 August 2009 with limited liability, which is ultimately owned as to 50.5% by Mr. Murray Ko and 49.5% by an Independent Third Party
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"%"	per cent.

Unless otherwise specified, all references to any shareholding in our Company in this document assume no Share which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme.

Certain amounts and percentage figures included in this document 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.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations and definitions of certain terms used in this document in connection with our Group and our business. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.

"COD"	cash on delivery, pursuant to which the buyer must settle payment for a good upon delivery
"DDP"	delivered duty paid, pursuant to which that the seller must pay for all of the costs related to transporting the products and is responsible in full for the products until they have been received and transferred to the buyer. Such costs include payments for shipping expenses, export and import taxes, insurance fees and other expenses incurred while shipping the products
"ERP System"	enterprise resource planning system, an accounting oriented accounting system for identifying and planning the enterprise-wide resources needed to take, make, distribute and account for customer orders
"FOB"	free on board, under which, among other things, the cost and risk of products shift from the seller to the buyer when the products are actually on board the vessel
"knitwear product"	apparel products made from knitwear fabric, a textile that results from knitting, which is a process of interlooping of yarns or inter-meshing of loops. Knitwear product is manufactured with each component to the specific size and shape which are then formed by interlooping of yarns, and the knitted panels are stitched together
"SCM"	supply chain management
"Tonne"	metric ton, a metric unit of weight
"woven product"	apparel products made from woven fabric, a textile formed by weaving. Woven fabric is produced on a loom, and made of many threads woven on a warp and a weft

FORWARD-LOOKING STATEMENTS

Our Company has included in this document forward-looking statements that are not historical facts, but relate to Our Company's intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business" and "Financial Information" in this document, which are, by their nature, subject to risks and uncertainties.

In some cases, our Company uses the words "aim", "anticipate", "believe", "could", "expect", "intend", "may", "ought to", "plan", "project", "propose", "seek", "should", "will", "would" as well as similar expressions or statements to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and plan of operations;
- our capital expenditure and funding plans;
- our Group's business prospects;
- general economic conditions;
- the trends of industry and technology;
- certain statements in "Financial Information" with respect to trends in prices, volumes;
- our operations;
- margins, overall market trends, risk management and exchange rates;
- the regulatory environment as well as the general industry outlook for the industries in which we operate; and
- other statements in this document that are not historical fact.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the control of our Company. These forward-looking statements reflect our Company's current views with respect to future events, which are not a guarantee of future performance.

These forward-looking statements are based on current plans and estimates, and speak only as at the date they are made. Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to those discussed under the section headed "Risk Factors" and elsewhere in this document. Subject to the requirements of the GEM Listing Rules, our Company undertakes no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond the control of our Company. Our Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way our Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

Any investment in our Shares involves various risks. You should carefully read and consider all of the information set out in this document and, in particular, the risks and uncertainties described below, before deciding to make any investment in our Shares. Our Group's business, financial conditions and results of operation could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties and you may lose part or all of your investment as a result.

RISKS RELATING TO OUR GROUP'S BUSINESS

We rely on a limited number of major customers, and any material decrease in product sales to any of our major customers may adversely and materially affect our business, financial condition and results of operations

Revenue generated from our top five customers accounted for 62.2%, 87.1% and 87.8% of our total revenue for the years ended 31 December 2015, 2016 and 2017, respectively. Although we have established business relationships with our top five customers from two to seven years, we do not enter into long-term agreement with any of them whose purchases are made on an order-by-order basis. Our business with our customers has been, and we expect it will continue to be, conducted on the basis of actual orders received from time to time. Our customers are not obligated in any way to continue placing orders with us at the same or increasing levels, or at all. Their level of demand for our apparel 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, as well as our customers' purchase preferences and fashion trends. Our business, financial condition and results of operations may therefore fluctuate significantly in the future.

Task, being our largest customer for the year ended 31 December 2015, ceased to be our customer in 2016. As a result, our revenue decreased from HK$110.8 million for the year ended 31 December 2015 to HK$46.0 million for the year ended 31 December 2016. Please refer to the sections headed "Business — Our Customers — Development of Our Business — A. Our Relationship with Task and the Acquisition of Trademarks under the Brands" in this document for further details. In the event that our major customers substantially reduce the volume and/or value of orders with us, or cease to conduct business with us, we cannot assure you that we will be able to obtain orders from new customers, or other existing customers, to make up for such loss of sales; or even if we will be able to obtain other orders, we cannot assure you that such orders will be on commercially comparable terms. Any material decrease in product sales to any of our major customers may adversely and materially affect our business, financial condition and results of operations.

Failure to respond to changes in fashion trends as well as the preferences of our customers and end consumers may result in deterioration in our business performance

Our apparel SCM services include the provision of product design services to our customers. Our design collections are developed by our design and development team, with the assistance of our design consultants. We believe that our success is, to an important extent, attributable to the ability of our design and product development team to understand the respective apparel retail markets of our

customers and design desirable apparel products which are responsive to and keep abreast of the changes in end consumers' preferences. Due to the highly subjective nature of the fashion trends and the rapid change in fashion trends for apparels as well as the preferences of our customers and end consumers, we may be unable to capture or predict the future fashion trend and continue to develop appealing designs for our customers and end consumers. If we fail to capture, predict or respond timely to our customers' and/or end consumers' preferences; or introduce appealing and commercially viable apparel designs in a timely manner, our business and results of operations may be adversely affected.

We rely on third party suppliers for the manufacturing of apparel products

All of the apparel products we provided to our customers during the Track Record Period were produced by third party suppliers located in the PRC, Madagascar and Cambodia. Our five largest suppliers accounted for 84.2%, 89.9% and 82.2% of our total purchases for the years ended 31 December 2015, 2016 and 2017, respectively. We do not enter into any long-term contract with suppliers, and the terms of services provided by them may also be susceptible to fluctuations with regard to pricing, timing and quality. Any increase in production costs may be passed on to us but we might not be able to pass on all or any part of the subsequent increase in costs to our customers, which may have material adverse effect on our financial performance. Further, we cannot assure you that we will be able to maintain business relationships with our major suppliers or that there will not be any unfavourable changes in our current arrangements with our suppliers, such as a substantial increment in price or a substantial reduction of quantities supplied. If we cannot locate alternative suppliers for replacement in a timely manner and/or on comparable commercial terms, our business operation and profitability may be adversely affected. Moreover, during the manufacturing process, we may not be able to monitor the production quality of our suppliers as directly and effectively as with our own production. If apparel products delivered by our suppliers do not satisfy quality standards or our customers' specifications, we may be forced to provide products to our customers on a delayed basis or cancel our product offering, either of which could harm our reputation and our relationships with our customers and potentially expose us to litigation and damage claims.

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

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

Our corporate image and profitability may be negatively affected by non-compliance actions of our suppliers

We may not be able to exercise adequate control over the operations of our suppliers and as a result, are not able to ensure their compliance with applicable laws and regulations. We are not in a position to ascertain that all of our suppliers have obtained all licences, permits and approvals necessary for their operations, or complied with all applicable laws and regulations, notwithstanding that we reserve the right to terminate our business relationships with our suppliers in the event that they deviate from any key terms in our production orders. Failure on the part of any of our suppliers to comply with applicable laws and regulations may result in negative publicity, damage our corporate image and reputation, and materially and adversely affect our profitability.

We may be unable to implement our business objectives and our future plan

We accomplish our business objectives through implementation of our future plans. In the event that we fail to implement such growth strategy, or to do so in a timely manner, or on commercially acceptable terms, we may not be able to achieve our planned business growth and it may adversely affect our operating results. Moreover, the successful implementation of our future plans may also be affected by various factors including significant business, economic and competitive uncertainties and contingencies that are beyond our control and could postpone or increase the costs of implementation. In the event that we are unable to successfully implement our future plans as planned, the business operations and financial condition of our Group may be adversely affected.

Our expansion plan into other markets may not be successful and may expose our Group to business and financial risks

Our Group ceased supplying products to small customers during the year ended 31 December 2016 and focused our manpower, time and resources on large customers as well as developing new customers of internationally renowned brands with growth potential. During the year ended 31 December 2017, we developed two new customers in France, including Rodier and ZAPA, and one new customer in Hong Kong, namely Sidefame Limited. We lowered the average selling price and gross profit margin in respect of product sales to Rodier and ZAPA so as to establish our presence in the relevant new retail markets. In the event that we further expand into other new apparel markets in the future, we may have to lower the average selling price and gross profit margin to enable our Group to enter a new market. In this case, our Group's overall average selling price and/or gross profit margin in respect of product sales may decrease. In addition, our expansion into other apparel markets may be unsuccessful due to factors beyond the control of our Group. In such cases, our Group's operation and financial performance and future profitability may be adversely affected.

The acquisitions of Brands could expose us to risks that may have a material adverse effect on our business, reputation and results of operations

We acquired the Brands in July 2017 from an Independent Third Party. We cannot assure you that we will be able to successfully integrate the Brands into our product offerings or to develop apparel products under the Brands in a profitable manner. Acquisitions of the Brands involve substantial risks, including but not limited to:

- loss of existing customers if the Brands do not fit their expectation or preference;

- failure to identify customers for sales of apparel products under the Brands;
- failure to develop products under the Brands acceptable to our customers;
- the Brands may not be as reputable or profitable as expected;
- cost in promoting the Brands;
- managing additional customer relationships under the Brands;
- diversion of financial and management resources from existing operations; and
- impairment loss on the trademark under the Brands if we are unable to generate sales assumed in the valuation of trademark under the Brands.

Our failure to integrate the Brands, may therefore materially and adversely impact our operations and profits.

We may be unable to obtain sufficient funding on terms acceptable to us, or at all

The future expansion of our business may require us to incur additional borrowings and diversify sources of funding. Whether we are able to raise additional capital at costs acceptable to us depends on the financial success of our current business and the successful implementation of our key strategic initiatives. This may be affected by various financial, economic and market conditions and other factors, some of which are beyond our control. If we are unable to obtain sufficient banking facilities on acceptable terms to meet our operational and expansion demands, this may cause strains on our cash flow and our ability to successfully implement our expansion plans. Accordingly, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Customers may liaise with suppliers directly through online platform

As part of our SCM services, we source apparel products from suppliers and deliver apparel products to our customers. It has been increasingly common for brand owners and retailers to publish sales orders and obtain price quotations directly from manufacturers through online platforms. If we are unable to provide other value-added SCM services such as product design and development, sourcing of suppliers, production management and logistics management, we may lose some of our existing customers who prefer to order apparel products online. With internet becoming more common in the current economic environment, the need from customers for our provision of apparel SCM services may decrease, which may in turn adversely affect our financial performance.

We are exposed to credit risks of our customers

We normally require our customers to settle the purchase prices in full upon the delivery of goods. For long-term customers with good credit quality and payment history, we allow credit periods of not longer than 120 days. We do not have access to all information of our customers to determine their creditworthiness. The complete financial and operational conditions of customers are not always available to our Group, and we may not be in any position to obtain such information. As a result, if any of our major customers experiences any financial difficulty and fails to settle the outstanding amounts due to our Group in accordance with the agreed credit terms, our working capital position may be

adversely affected. Provisions for impairment or write-offs may also be required for trade receivables, which will have an adverse effect on our profitability. In such circumstances, our results of operations would be adversely affected.

We had negative net cash flows from operating activities for the year ended 31 December 2017

We had negative net cash flows from operating activities of HK$746,000 for the year ended 31 December 2017 due to the [REDACTED] of HK$[REDACTED] million recognised. Please refer to the section headed "Financial Information — Liquidity and Financial Resources — Cash Flow of Our Group — Net Cash Generated from (used in) Operating Activities" in the document for further details. While our Directors believe that we have sufficient funds to finance our current working capital requirements for the 12 months from the date of this document, our operating cash flows may be adversely affected by factors that are beyond our control. We cannot assure you that we will not experience negative net operating cash flows in the future due to delays in payment by our customers or otherwise. Our future liquidity, the payment of trade and other creditors and accrued expenses, as well as the repayment of any debt obligations as and when they become due, will primarily depend on our ability to maintain adequate cash inflows from operating activities and/or proceeds from external financings. If we are unable to maintain adequate cash inflows, we may default on our payment obligations and may not be able to meet our capital expenditure requirements. As a result, our business, liquidity, results of operations and prospects may be materially and adversely affected.

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

Our sales are predominantly denominated in EUR and US$, while our costs and purchases including purchase costs and operating costs are denominated in RMB, HK$ and US$. There were fluctuations in the exchange rates of these currencies due to changes in the international political and economic conditions, especially the currency conversion system in the PRC. Accordingly, we are exposed to exchange rate risk.

During the Track Record Period, we recorded (i) net foreign exchange gains of HK$2.6 million and HK$2.5 million for the years ended 31 December 2015 and 2016, and a net foreign exchange loss of HK$0.7 million for the year ended 31 December 2017; and (ii) net gain on structured foreign currency forward contracts of HK$1.4 million and HK$2.3 million for the years ended 31 December 2015 and 2016, and a net loss on the same of HK$70,000 for the year ended 31 December 2017.

Fluctuation in the exchange rates of RMB, HK$, US$ and EUR will therefore directly affect our profit margin if our Group is unable to adjust the selling prices of our products accordingly. If we increase the selling prices of our products, it may in turn affect our competitiveness against our competitors. Please refer to note 29 to the Accountants' Report set out in Appendix I to this document for an analysis of sensitivity of our profit to fluctuation in exchange rates during the Track Record Period.

We may be exposed to product liability claims which could adversely affect our reputation and business

As we currently engage third party suppliers to manufacture all of our products, we may not be able to effectively control the quality of our products. We are not required under the laws of Hong Kong, Germany, France or other jurisdictions to maintain, and we do not maintain, any product liability

insurance. Pursuant to the European Directive No.85/374/EEC as well as the relevant domestic laws of Germany and France implementing such directive, if a defective product causes any damage to consumers or their properties, the producer (including the person or entity which imports such products into Germany or France for sale) will be liable to pay damages which consumers have proved. Please refer to the sections headed "Regulatory Overview — Laws and Regulations of Germany — Laws and Regulations Relating to Product Security and Product Liability" and "Regulatory Overview — Laws and Regulations of France — Laws and Regulations Relating to Product Quality" in this document for further details. In the event that we are found to be liable for any product liability claim which is initiated due to the factors out of our control, we could still be required to pay monetary damages to customers. Furthermore, even if we successfully defend ourselves against a claim, we may incur a substantial amount of money and time in defending such a claim and our reputation could suffer.

Our sales are subject to seasonal fluctuation

We have historically experienced and expects to continue to experience seasonal fluctuations. We usually experience higher product sales from May to July and from October to December within a year. Please refer to the section headed "Business — Our Customers — Seasonality" in this document for further details. Therefore, the operating results of our Group for a certain period within a calendar year, or between any interim periods, may not be taken as an indication of our performance for the entire calendar year. Hence, prospective investors should be aware of this seasonal fluctuation when making any comparison of our Group's operating results.

Our business operations may be affected by risks related to logistics service providers

We engage logistics service providers for the delivery of finished products from our suppliers in the PRC to ports and/or warehouses in Europe specified by our customers. Please refer to the section headed "Business — Our Business — Logistics Management" in this document for further details. As we do not have any direct control over the logistic service providers, we cannot guarantee their quality of services. If there is any delay in delivery, damage to products during delivery or any other issue, we may lose customers and our corporate image may be impaired.

In addition, disputes with or a termination in our relationship with the logistics service providers could result in delayed delivery of products or increased costs. We cannot assure you that we can continue our relationship with the current logistics service providers on terms acceptable to us, or that we will be able to establish relationships with new logistics service providers to ensure accurate, timely and cost-efficient delivery services. Any such failure may inhibit our ability to offer products in sufficient quantities, on a timely basis, or at prices acceptable to our consumers.

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

Our customers have specific requirements for each batch of apparel products they order from us. We rely on our internal quality control system to maintain the standards of quality to ensure that the finished products delivered to our customers live up to their quality expectations. If we fail to meet the required specifications of our customers, it could result in loss of sales which in turn would adversely affect our business reputation, results of operations, and financial condition.

We may be involved in intellectual property rights infringement litigation initiated by others

During the course of our operations, we may design products that include elements that may inadvertently infringe third party copyright and other intellectual property rights, as a result of which other parties may initiate litigation or other proceedings against us. Moreover, our business is subject to the risk of third parties counterfeiting the apparel products our customers ordered from us or otherwise infringing our intellectual property rights. We may not always be successful in securing protection for our intellectual property rights, in preventing the production and sale of counterfeit products and preventing other infringements of our intellectual property rights. We may need to resort to litigation in the future to enforce our intellectual property rights. Involvements in these proceedings may require substantial costs and diversion of resources, and the result of these proceedings may be uncertain. Our reputation may also be adversely affected.

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

We cannot ensure that we will be fully covered for our losses under our current insurance policy. We do not maintain business interruption or key person life insurance. If any of these occurs, it may result in us incurring substantial costs and the diversion of our resources, which are not covered by our insurance. It may in turn materially and adversely affect our business and financial condition.

We are dependent on our key executives and personnel

The success of our business has been, and will continue to be, dependent upon the ongoing service of our key executives and other key employees. In particular, we rely on the expertise and experience of Mr. Ko, Mr. Morris Ko, Ms. Lam Hau Chu and Ms. Lo Wai Han. They have been part of our management team since the commencement of the Track Record Period and play a pivotal role in our daily operations and business strategies. If we lose the services of any of these key executives and cannot replace them in a timely manner, our business may be adversely affected.

In addition, our success depends largely on other talented personnel. Other apparel SCM companies may be able to offer more favourable compensation packages to recruit personnel whom we consider desirable. As a result, we may not be able to attract and retain qualified personnel needed to sustain our business growth, or our staff expenses in relation thereto may increase significantly, both of which would have a material adverse impact on our results of operations and financial condition.

Our business relies on the proper performance of our ERP System and any malfunction over extended periods could adversely affect our business

We rely on the uninterrupted operation of our ERP System for the efficient operation of our business including, but not limited to, the monitoring of sales orders and the allocation of products to our customers. We cannot assure you that our ERP System will always operate without interruption. Any malfunction to a particular part of our system for an extended period of time may result in a breakdown throughout our network. Our failure to continue our operations uninterrupted due to any of these reasons may adversely affect our results of operations.

We face risks related to health epidemics and other outbreaks of contagious diseases, including avian flu, SARS, MERS and swine flu

Our business could be adversely affected by the effects of avian flu, SARS, Middle East Respiratory Syndrome (MERS), swine flu or another epidemic or outbreak of communicable diseases. During April 2013, there were outbreaks of highly pathogenic avian flu, caused by the H7N9 virus in certain parts of the PRC. In early 2009, there were reports of outbreaks of a highly pathogenic swine flu, caused by the H1N1 virus in certain regions of Asia and Europe. An outbreak of contagious diseases in the PRC or elsewhere could have a material adverse effect on our business operations, or those of our manufacturers and suppliers. This could include restrictions on travel or the shipment of apparel products outside of the PRC or preventing our staff from travelling to customers' offices to discuss product designs or product samples. If any epidemic or outbreak of communicable diseases were to occur in the future, our business operations could be adversely affected.

RISKS RELATING TO OUR INDUSTRY

We face keen competition from other players in the market

The apparel SCM industry in Hong Kong has a large number of participants which makes the industry highly competitive. According to the CIC Report, there are more than 10,000 companies in the Hong Kong apparel SCM market which can be categorised into the following three types: (i) specialised full-service apparel SCM companies; (ii) full-service apparel SCM companies that are involved in other businesses; and (iii) partial-service apparel SCM companies. The Hong Kong apparel SCM market is highly fragmented and competitive. We belong to the type of specialised full-service apparel SCM company. Further information on our competitive landscape is set forth in the section headed "Industry Overview — The Hong Kong Apparel SCM Market — Competitive Landscape" of this document.

Our competitors may have greater financial, marketing, management and more resources than us. We compete with other apparel SCM companies on the basis of quality and pricing of our services. Some of our competitors may have larger variety of services, greater pricing flexibility, stronger brand recognition or more established and stronger customer base. We cannot assure you that our strategies will remain competitive or they will continue to be successful in the future. Increased competition may result in pricing pressure and loss of our market share, which could adversely affect our financial condition and results of operations.

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

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

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

RISKS RELATING TO THE ECONOMIC AND POLITICAL SITUATIONS IN EUROPE

Fluctuations in end consumers' spending levels in Europe caused by changes in macroeconomic conditions and uncertainties in European politics may significantly affect our business operations, financial condition, results of operations and prospects

Our Group's customers are predominantly located in Europe, whilst most of them sell their products to end consumers through their local retail operations. Therefore, orders placed by our customers are influenced by the spending habits of end consumers in Europe. Many factors affect the level of end consumer spending in the apparel industry, including interest rates, currency exchange rates, recession, inflation, deflation, political uncertainty, the availability of consumer credit, taxation, stock market performance, unemployment and consumer confidence. We believe that end consumers in European apparel retail markets tend to spend more when the economy is experiencing strong growth and when they have more disposable income for personal consumption. As a result, the state of European economy could affect our future performance, operational results and profitability.

If any economic downturn occurs, this may have a material adverse effect on our business, financial condition and results of operations. Other factors such as imposition of new trade barriers, sanctions, trade disputes, labour disputes, as well as disruptions to the transportation industry could delay or prevent the delivery of apparel products to our customers in Europe, or even reduce end consumers' demand for imported apparel products. Such circumstances would adversely affect our business operations, financial condition, results of operations and prospects.

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

We may be subject to the local laws and regulations in the respective jurisdictions in which we operate. Any change to the relevant local government regulations or policies, whether relating to labour safety, tax treatment, environmental protection or any other aspects, may affect the operating costs of our sales. In addition, any political unrest could directly or indirectly cause strikes or labour unrest and could substantially disrupt our business and operations. This may in turn adversely affect our profitability and financial results. For further details on the laws of Germany and France in relation to our operations, please refer to the section headed "Regulatory Overview" in this document.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

Subscribers of Shares will experience immediate dilution in the net tangible assets value of our Shares

Since the [REDACTED] is higher than the net tangible assets value per Share as at 31 December 2017, subscribers of our [REDACTED] in the [REDACTED] will experience an immediate dilution in the unaudited pro forma adjusted net tangible asset value to HK$[REDACTED] per Share, based on the minimum [REDACTED] of HK$[REDACTED] per Share, or HK$[REDACTED] per Share, based on the maximum [REDACTED] of HK$[REDACTED] per Share.

Any disposal by our Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of our Shares

Each of our Controlling Shareholders has provided irrevocable undertakings to our Company, the Sole Sponsor and the [REDACTED] (for itself and on behalf of the [REDACTED]) with respect to disposal of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in accordance with the requirements of the GEM Listing Rules. Please refer to the section headed "[REDACTED]" in this document for further details.

We cannot guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the [REDACTED]. Our Group cannot predict the effect, if any, of any future sales of our Shares by any of our Controlling Shareholders, or that the availability of our Shares offered by any of our Controlling Shareholders for purchase may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of our Shares.

There has been no prior public market for our Shares

There has been no prior public market for our Shares and an active trading market for our Shares may not develop prior to the [REDACTED]. The initial [REDACTED] for our [REDACTED] as disclosed in this document was the result of negotiations between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]), and the [REDACTED] may or may not differ significantly from the market price of our Shares immediately upon the [REDACTED]. While we have applied for the [REDACTED] of, and permission to deal in, our Shares on the Stock Exchange, there is no guarantee that an active and liquid trading market for our Shares will develop, or if it does develop, will be sustained following the [REDACTED] or that the market price of our Shares will not decline following the [REDACTED]. We give no assurance that these developments will occur in the future. If an active public market for our Shares does not develop after the [REDACTED], the market price and liquidity of our Shares may be adversely affected. Investors may not be able to sell their Shares at or above the [REDACTED]. The stock market of Hong Kong generally has experienced increasing price and volume fluctuations, some of which have been unrelated or have not corresponded to the operating performances of such companies in recent years. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results.

The market price of our Shares may be highly volatile, which could result in substantial losses for investors purchasing Shares in the [REDACTED]

The trading price and the trading volume of our Shares may be highly volatile and may be affected by the following factors:

- actual or anticipated fluctuations in our results of operations;
- recruitment or loss of key personnel by us or our competitors;

- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- changes in investors' perception of our Group and the investment environment generally;
- the liquidity of the market for our Shares;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or the apparel industry in which we operate;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;
- political, social and economic conditions in Hong Kong, Europe, the PRC, Madagascar and Cambodia; and
- release of lock-up or other transfer restrictions on our Shareholders.

Moreover, in recent years, the securities markets have experienced significant price and volume fluctuations, some of which may not relate to the operating performance of particular companies. These market fluctuations may adversely affect the market price of our Shares.

Shareholders' interests in our Company may be diluted in the future

Our Company will comply with Rule 17.29 of the GEM Listing Rules, which specifies that no further Shares or securities convertible into equity securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to be issued within six months from the [REDACTED]. Upon expiry of such six-month period, we may raise additional funds by way of issue of new equity or equity-linked securities of our Company and such fund-raising exercises may not be conducted on a pro-rata basis to existing Shareholders. As such, the shareholding of our then Shareholders may be reduced or diluted. We may in the future expand our capabilities and business through acquisition, joint venture and strategic partnership with parties who can add value to our business. We may require additional equity funding after the [REDACTED] and the equity interest of our Shareholders will be diluted should our Company issue new Shares to finance future acquisitions, joint ventures and strategic partnerships and alliances.

We may issue additional Shares upon exercise of options that may be granted under the Share Option Scheme. Under the HKFRSs, the costs of share options to be granted under the Share Option Scheme will be charged to our statement of profit or loss and other comprehensive income over the vesting period by reference to the fair value at the date of granting of the share options. Our financial results may be adversely affected during the vesting period over the life of any outstanding share options to be granted under the Share Option Scheme. Upon exercise of the outstanding share options, our Company shall allot and issue further new Shares to the holders of such outstanding share options which will result in dilution of shareholders' interests in our Company.

Past dividend distributions are not an indication of our Company's future dividend policy

A subsidiary of our Company distributed dividends amounted to HK$3.4 million, HK$14.8 million and HK$4.3 million for the years ended 31 December 2015, 2016 and 2017 respectively, to its shareholder. In April 2018, our Company declared dividends of HK$6.5 million to the then Shareholder. We cannot assure you that dividends of similar amounts or at similar rates will be paid in the future, or that dividends will be paid at all. Any future dividends declaration and distribution by our Group will be at the discretion of the Directors depending upon our Group's financial results, the Shareholders' interests, general business conditions, strategies and future expansion needs, our Group's capital requirements, payment by our subsidiaries of cash dividends to our Company, possible effects on liquidity and financial position of our Group and such other factors as the Board may consider relevant. As a result, there is no reference to the basis for forecasting the amount of dividends payable in future in this document. The past dividend distributions record should not be used as a reference of the amount of dividends payable in the future.

The interests of our Controlling Shareholders may not always coincide with the interest of our other Shareholders

Upon completion of the [REDACTED] and [REDACTED] without taking into account any Share which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, our Controlling Shareholders will own [REDACTED] of our Shares. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholder(s) conflict with the interest of other Shareholders, or if any of our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of other Shareholders, including you, those other Shareholders may be disadvantaged as a result.

The [REDACTED] may be terminated

Prospective investors of the [REDACTED] should note that the [REDACTED] (for itself and on behalf of the [REDACTED]) are entitled to terminate their obligations under the [REDACTED] by the [REDACTED] (for itself and on behalf of the [REDACTED]) giving notice in writing to our Company upon the occurrence of any of the events set out in the section headed "[REDACTED]" in this document at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. [REDACTED]

RISKS ASSOCIATED WITH THIS DOCUMENT

Investors should read the entire document carefully and should not rely on any information contained in press articles and/or other media coverage regarding us and the [REDACTED]

Prior to the publication of this document, and possibly subsequent to the date of this document but prior to the completion of the [REDACTED], there might have been press articles and/or media coverage regarding us and the [REDACTED], which might include certain financial information, financial projections, and other information about us which do not appear in this document. Such information might not be sourced from or authorised by us, the Sole Sponsor, the [REDACTED], the

[REDACTED], the [REDACTED], the [REDACTED] or any other person involved in the [REDACTED], hence none of these parties accept any responsibility for the accuracy or completeness of such information or the fairness or appropriateness of any forecasts, views or opinions expressed by the press articles and/or media coverage regarding us and the [REDACTED]. We cannot guarantee and make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this document and should not rely on any other information.

Statistics and facts in this document have not been independently verified

This document includes certain facts, forecasts and other statistics, including those relating to the PRC, Hong Kong, Europe, Madagascar, and their respective economies and apparel industries that have been extracted from government official sources and publications or other sources. We believe the sources of these statistics and facts are appropriate and we have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective affiliates or advisers or any other party involved in the [REDACTED] and therefore, we make no representation as to the accuracy or completeness of these statistics and facts. As such, these statistics and facts should not be unduly relied upon. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this document may be inaccurate or may not be comparable to statistics produced for other economies. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

Forward-looking statements included in this document may not materialise

This document contains certain forward-looking statements relating to plans, objectives, expectations and indentions of our Directors. Such forward-looking statements reflecting the current views of our Directors with respect to future events are not a guarantee of future performance and subject to certain risks, uncertainties and assumptions, including the risk factors described in this document. As a result, the forward-looking events and circumstances discussed in this document might not occur in the way our Directors expect, or at all. Our actual results, performances or achievements may be materially different from those expressed or implied in the forward-looking statements in this document. Accordingly, prospective investors should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Ko Sin Yun (高銑印)	Flat A, 11/F, Block 3 The Wings 9 Tong Yin Street Tseung Kwan O New Territories Hong Kong	Chinese
Mr. Ko Man Ho (高文灝)	Flat D, 5/F, Block 7 The Wings 9 Tong Yin Street Tseung Kwan O New Territories Hong Kong	Chinese
Mr. Cheng Ka Wing (鍾嘉榮)	Flat D, 2/F, Block 3 Chevalier Garden Ma On Shan New Territories Hong Kong	Chinese
Independent Non-executive Directors		
Mr. To King Yan, Adam (杜景仁)	15D, Estoril Court 55 Garden Road Hong Kong	Chinese
Mr. Kwok Chee Kin (郭志堅)	Flat A, 7/F The Platinum 76A Fa Yuen Street Kowloon Hong Kong	Chinese
Mr. Chan Kim Sun (陳劍燊)	Flat D, 24/F, Block 2 Lynwood Court Kingswood Villas Tin Shui Wai New Territories Hong Kong	Chinese

For further information, please refer to the section headed "Directors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**Giraffe Capital Limited** 22/F, China Hong Kong Tower 8–12 Hennessy Road Hong Kong *(a licensed corporation to conduct type 6 (advising on corporate finance) regulated activity under the SFO)*
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Legal advisers to our Company	*As to Hong Kong law* **Miao & Co.** **(in Association with Han Kun Law Offices)** 2001–02 Hutchison House 10 Harcourt Road Central Hong Kong *As to Cayman Islands law* **Conyers Dill & Pearman** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands *As to German law* **Squire Patton Boggs (US) LLP** Rechtsanwälte, Steuerberater Eurotheum Neue Mainzer Straße 66–68 60311 Frankfurt am Main Germany

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law* **Sidley Austin** 39/F, Two International Finance Centre Central Hong Kong
Reporting accountants and auditors	**Deloitte Touche Tohmatsu** *Certified Public Accountant* 35/F One Pacific Place 88 Queensway Hong Kong
Industry consultant	**China Insights Consultancy Limited** 10/F, Tomorrow Square 399 West Nanjing Road Huangpu District Shanghai PRC
[REDACTED]	[REDACTED]

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	No. 4, 7/F, Saxon Tower 7 Cheung Shun Street Lai Chi Kok Kowloon Hong Kong
Company website	www.vision-holdings.com.hk *(information contained in this website does not form part of this document)*
Company secretary	**Ms. Ngai Kit Fong (倪潔芳)**, *FCIS, FCS (PE)* Level 54 Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	**Mr. Cheng Ka Wing (鍾嘉榮)** Flat D, 2/F, Block 3 Chevalier Garden Ma On Shan New Territories Hong Kong **Ms. Ngai Kit Fong (倪潔芳)** Level 54 Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance officer	Mr. Cheng Ka Wing (鍾嘉榮)
Audit committee	Mr. Chan Kim Sun (陳劍燊) *(Chairman)* Mr. To King Yan, Adam (杜景仁) Mr. Kwok Chee Kin (郭志堅)
Remuneration committee	Mr. To King Yan, Adam (杜景仁) *(Chairman)* Mr. Chan Kim Sun (陳劍燊) Mr. Kwok Chee Kin (郭志堅)
Nomination committee	Mr. Ko Sin Yun (高銑印) *(Chairman)* Mr. Chan Kim Sun (陳劍燊) Mr. To King Yan, Adam (杜景仁)

CORPORATE INFORMATION

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Compliance adviser	**Giraffe Capital Limited** 22/F, China Hong Kong Tower 8–12 Hennessy Road Hong Kong
Principal banks	**The Hongkong and Shanghai Banking Corporation** 1 Queen's Road Central Hong Kong
	Standard Chartered Bank (Hong Kong) Limited 4–4A Des Voeux Road Central Hong Kong

The information and statistics set forth in this section and elsewhere in this document have been derived from the CIC Report, which was commissioned by us and independently prepared by CIC in connection with the [REDACTED]. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any fact has been omitted that would render such information and statistics false or misleading. However, the information has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of the respective directors, officers, employees, advisers, agents or representatives or any other party involved in the [REDACTED] and no representation is given as to its accuracy. Except as otherwise stated, all data and forecast in this section are derived from the CIC Report.

SOURCE OF INFORMATION

We have commissioned CIC, a market research and consulting company and an Independent Third Party, to conduct an analysis of, and to report on the apparel retail markets of Germany, France and Hong Kong, Hong Kong apparel SCM market, and the apparel manufacturing and exporting markets in the PRC and Madagascar. The CIC Report has been prepared by CIC independent of our influence, the fee payable to CIC for preparing the CIC Report is HK$574,000, which we consider reflects market rates for similar services. CIC is an independent market research and consulting firm since 2013, providing services of industry research and analysis, growth strategy, consulting and corporate training in various industries, including apparel retail, apparel manufacturing and apparel SCM market.

Our Directors are of the view that the information set forth in this section is reliable and not misleading as the information was extracted from the CIC Report, and CIC is an independent professional consulting company with extensive experience in their profession. CIC conducts both primary and secondary research through various resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analysing data from various publicly available data sources, such as National Bureau of Statistics, industry associations, etc. The methodology used by CIC is based on information gathered from multiple levels and allows such information to be cross-referenced for reliability and accuracy. On such basis we consider the data and statistics to be reliable.

ASSUMPTIONS

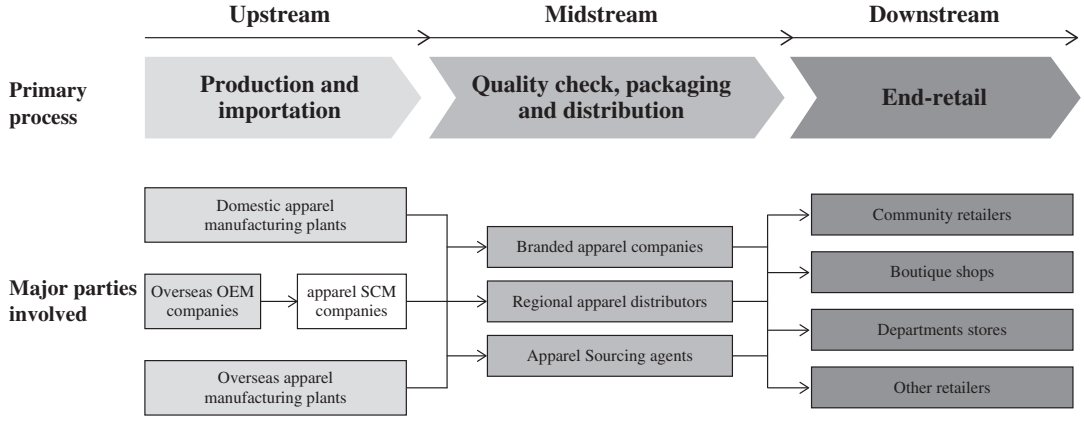
The CIC Report contains a variety of market projections which were prepared with the following assumptions: (i) the economic and industrial development in Hong Kong, Germany, France, the PRC and Madagascar are likely to maintain a steady growth in the next decade; (ii) related key industry drivers disclosed in this section of the document are likely to drive the growth of the German apparel retail market, the French apparel retail market, the Hong Kong apparel retail market, the PRC apparel manufacturing and exporting market, the Madagascar apparel manufacturing and exporting market, and the Hong Kong apparel SCM market, respectively, in the forecast period; and (iii) there is no extreme force majeure or industry regulation in which the market may be affected either dramatically or fundamentally. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumptions and factors.

Our Directors confirm that after taking reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the CIC Report which may qualify, contradict or have an impact on the information in this section.

THE GERMAN APPAREL RETAIL MARKET

Value Chain Analysis

The chart below sets forth the value chain of the German apparel industry in 2016.



Source: CIC

Upstream

Although Germany has strong apparel manufacturing capabilities, only a limited quantity of apparels are manufactured domestically due to the high cost of labour and manufacturing facilities. Therefore, Germany's branded apparel companies and regional apparel distributors either establish overseas manufacturing plants or engage apparel SCM companies. Since establishing an overseas manufacturing plant is rather costly and it is difficult to supervise multiple manufacturing processes of original equipment manufacturer ("**OEM**") companies directly, many branded apparel companies and regional apparel distributors prefer to engage apparel SCM companies instead in order to complete the apparel manufacturing process.

Midstream

Apparels manufactured by self-owned manufacturing plants are directly shipped to the warehouses of branded apparel companies or regional apparel distributors for distribution. As per the standard process employed by SCM companies, apparels received from OEM companies normally go through a series of additional steps, including quality checks and packaging. In order to ensure the quality of apparel products and protect intellectual property rights, a number of German companies complete finishing touches domestically, such as adding buttons, zippers, or logos.

Apparel sourcing agents represent groups of individual retailers or wholesalers, whose products are of similar themes or designs. They group together as a single buying unit to gain stronger bargaining power against their suppliers, help their members reduce their purchase costs and provide value-added services to their members. For example, an apparel sourcing agent's design team may discuss with

manufacturers on product designs that can meet its members' specifications, provide product samples for its members to order, and further revise the designs based on its members' requests. Apparel sourcing agents have a strong presence in the German apparel market, as well as other major European markets, in recent years.

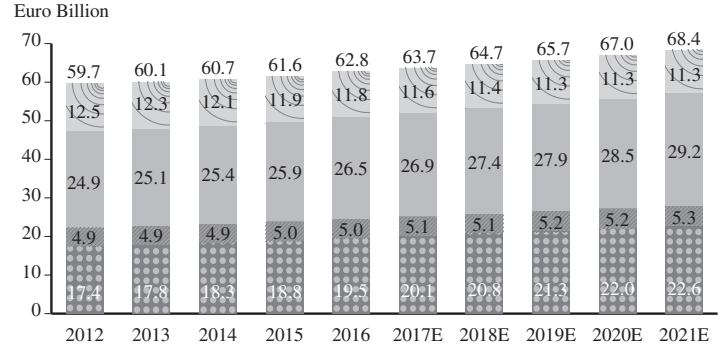
Downstream

The selection of a distribution channel is highly dependent on the market positioning and retailing strategy of branded apparel companies and regional apparel distributors. Major retail channels in the German apparel retail market consist of the following:

- *Community retailers.* Community retailers refer to small apparel street stores owned by individuals or families, which is the most traditional form of apparel retailers in Germany. Community retailers sells mostly low-end apparels.
- *Boutique shops.* Currently, boutique shops are the most common apparel retail channel in Germany. These apparel stores are located across Germany and are usually operated by large apparel companies. Boutique shops, selling middle to high-end apparels, primarily target customers with high income and high expectation on the design, quality, manufacturing techniques and materials of apparels.
- *Department stores.* Department stores have long been one of the major apparel retail channels in Germany. Their customers are wealthy local residents and international tourists. In order to compete with boutiques shops, department stores and their retail networks have to set high standards for their suppliers of apparel products.
- *Other retailers.* Many apparel products are also sold through other retailers such as online platforms, sports shops and souvenir stores. The total value of apparels sold through online channel has increased quickly in recent years. A majority of apparels sold online are not of top quality and apparels sold through other retailers are also relatively economical.

Market Size and Outlook

The chart below sets forth the historical and projected total retail value of the German apparel retail market by retail channel from 2012 to 2021:



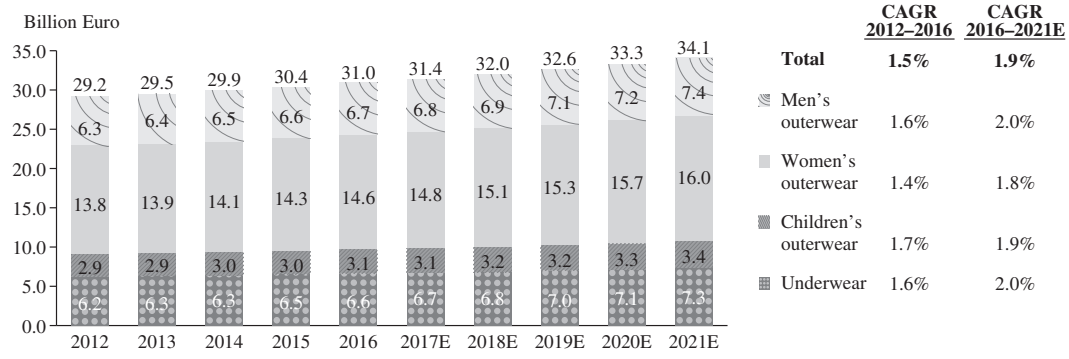
	CAGR 2012–2016	CAGR 2016–2021E
Total	**1.3%**	**1.7%**
Community retailers	-1.4%	-0.9%
Boutique shops	1.6%	2.0%
Department stores	0.5%	1.2%
Other retailers	2.9%	3.0%

Source: CIC

In terms of apparel products, German end consumers' purchasing behaviours underwent a change between 2012 and 2016 with an increasing number of customers starting to purchase apparels from boutique shops and through other retail channels. Furthermore, due to the following future trends, the growth potential of the German apparel retail market is expected to be significant: (i) there will be a greater demand for apparels with superior quality since German consumers who are aged between 30 and 49 years old with the strongest purchasing power, have a strong tendency to purchase high-quality apparels; (ii) consumers are becoming less price-sensitive for high quality apparels since they become more conscious of their self-images; (iii) innovative retail channels such as online platforms will continue to develop and the retail value of apparels sold via online channels is expected to increase further; and (iv) an increasing number of leading department stores have started to establish their own apparel brands which, due to the already established strong reputation of such department stores, are more easily accepted among customers, and therefore share of apparels sold by department stores is expected to increase in the foreseeable future.

The German Knitwear Retail Market

The chart below sets forth the historical and projected total retail value of German knitwear retail market by product category from 2012 to 2021:



	CAGR 2012–2016	CAGR 2016–2021E
Total	**1.5%**	**1.9%**
Men's outerwear	1.6%	2.0%
Women's outerwear	1.4%	1.8%
Children's outerwear	1.7%	1.9%
Underwear	1.6%	2.0%

Source: CIC

Knitwear products account for approximately 49.4% of the total retail value of the German apparel retail market in 2016. Sales of knitwear products increased slightly faster than that of apparel products in general from 2012 to 2016, since knitted fabrics have a softer texture, stronger moisture permeability and higher flexibility when compared to other apparels. The total retail value of women's knitted outerwear was over twice that of men's knitted outerwear from 2012 to 2016. Sales of knitted underwear grew slightly faster than that of any other segment from 2012 to 2016. In the foreseeable future, the German knitwear retail market is expected to continue to expand, and its share of the German apparel retail market is expected to grow slightly from 49.4% in 2016 to 49.9% in 2021, primarily because end consumers prefer the attractive characteristics of knitted fabrics described.

Growth Drivers

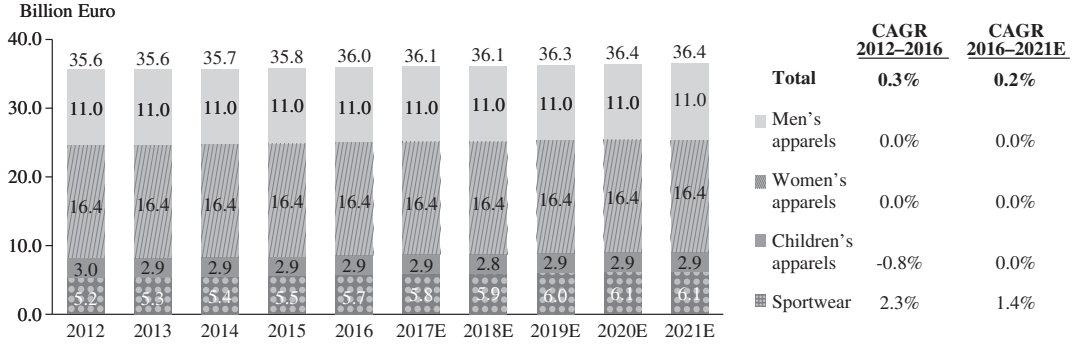
Key drivers for the German apparel retail market include the following:

- *Optimization of supply chain and distribution network*. Apparel retailers in Germany have taken initiatives to optimise their supply chain, in order to offer their consumers with more competitive terms. They are also expanding and upgrading their distribution networks which enable them to achieve a higher profit margin, since consumers are willing to pay a premium for products with the latest fashion designs.
- *Higher purchasing power.* The income level of Germany population is relatively high and has increased steadily despite an unstable economy. With an increasing level of income, German end consumers' purchasing power has been rising. Since apparels are one of the major consumer goods, the increasing purchasing power further boosts the development of the German apparel retail market.
- *Stronger demand for quality apparels*. German end consumers' preferences have changed in recent years, especially for younger generation. High quality products with attractive designs have become their foremost apparel selection criteria. They are also becoming more willing to pay a premium for high quality apparels.
- *Improved accessibility of apparel products.* An increasing number of apparel boutique shops have been set up near places where end consumers frequently visit, such as supermarkets, office buildings and entertainment facilities in Germany. Meanwhile, online platforms have emerged as a new channel of apparel retailing and advertising, and end consumers can purchase apparels by using their mobile devices.

THE FRENCH APPAREL RETAIL MARKET

Market Size and Outlook

The chart below sets forth the historical and projected total retail value of the French apparel retail market by product category from 2012 to 2021:

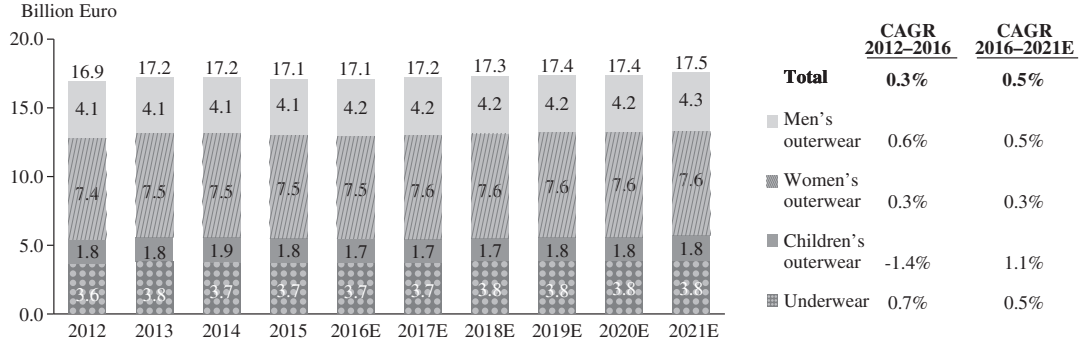


Source: CIC

The French apparel retail market grew marginally from 2012 to 2016, due to the European sovereign debt crisis during such period, as well as France's internal issues such as budget deficit and social instability. As the global centre of apparel fashion designs, and with an improving economic and social environment, the French apparel retail market is expected to grow at a CAGR of 0.2% from 2016 to 2021.

The French Knitwear Retail Market

The chart below sets forth the historical and projected total retail value of French knitwear retail market by product category from 2012 to 2021:



	CAGR 2012–2016	CAGR 2016–2021E
Total	**0.3%**	**0.5%**
Men's outerwear	0.6%	0.5%
Women's outerwear	0.3%	0.3%
Children's outerwear	-1.4%	1.1%
Underwear	0.7%	0.5%

Source: CIC

Knitwear apparels accounted for 47.5% of the French apparel retail market in 2016 and its market share is expected to further increase, as end consumers become more willing to purchase high quality knitwear apparels, especially knitted underwear. The retail value of men's and women's outerwear increased slightly higher than that of children's outerwear as a result of the unfavourable economic environment and low birth rate in France. From 2016 to 2021, the French knitwear retail market is expected to rise and the retail value of men's knitted outerwear is expected to increase faster than that of women's outerwear, mainly because men's wear has a smaller market than women's wear.

Growth Drivers

Key drivers for the French apparel retail market include the following:

- *Higher disposable income drives greater demand.* According to the Organisation for Economic Co-operation and Development (OECD), the household disposable income in France has been increasing, from an annual growth rate of -0.3% in 2012 to 1.8% in 2016. Given that apparel is a major consumer good, a higher level of disposable income is a key driver for greater demand for apparels.

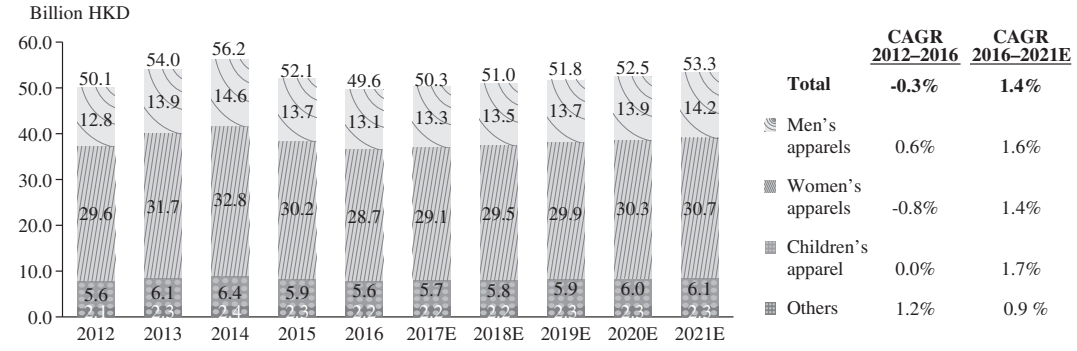
- *Strong inbound tourism sector helps to boost the apparel retail market.* France is one of the most visited countries in the world and maintains the third largest income in the world from tourism. A high influx of inbound tourists creates additional demand in the French apparel retail market.

- *French fashion industry provides strong impetus.* France is internationally well-known for its fashion design industry. Paris is home to many premier fashion designers including Chanel, Pierre Cardin, Céline, Chloe, Dior, Givenchy and etc. The French fashion industry provides strong impetus to the local apparel retail market.

THE HONG KONG APPAREL RETAIL MARKET

Market Size and Outlook

The chart below sets forth the historical and projected total retail value of the Hong Kong apparel retail market by product category from 2012 to 2021:



Source: CIC

During the period of 2012 to 2016, the market size of the Hong Kong apparel retail market decreased at a CAGR of 0.3%, mainly influenced by the continuing downturn in the Hong Kong tourism market since 2015 due to a decreasing number of mainland tourists. During the same period, the CAGRs for men's apparels and children's apparels were slightly higher than the overall market, as Hong Kong men had been increasingly concerned about the quality of their apparels, and tended to spend more on middle to high-end men's wear. The Hong Kong apparel retail market is expected to continue to grow from 2016 to 2021.

Growth Drivers

Key drivers for the Hong Kong apparel retail market include the following:

- *Higher disposable income drives greater demand.* The income level in Hong Kong is relatively high and has been increasing steadily, with its per capita disposable income increased at a CAGR of 5.0% between 2012 and 2016. Correspondingly, Hong Kong end consumers' purchasing power has been rising in tandem, driving greater demand for apparels.

- *Development of fashion industry.* In recent years, the Hong Kong government has been promoting the development of local apparel product design as well as apparel brands in the Hong Kong fashion industry, which has a direct impact on the growth of the Hong Kong apparel retail market.

THE HONG KONG APPAREL SCM MARKET

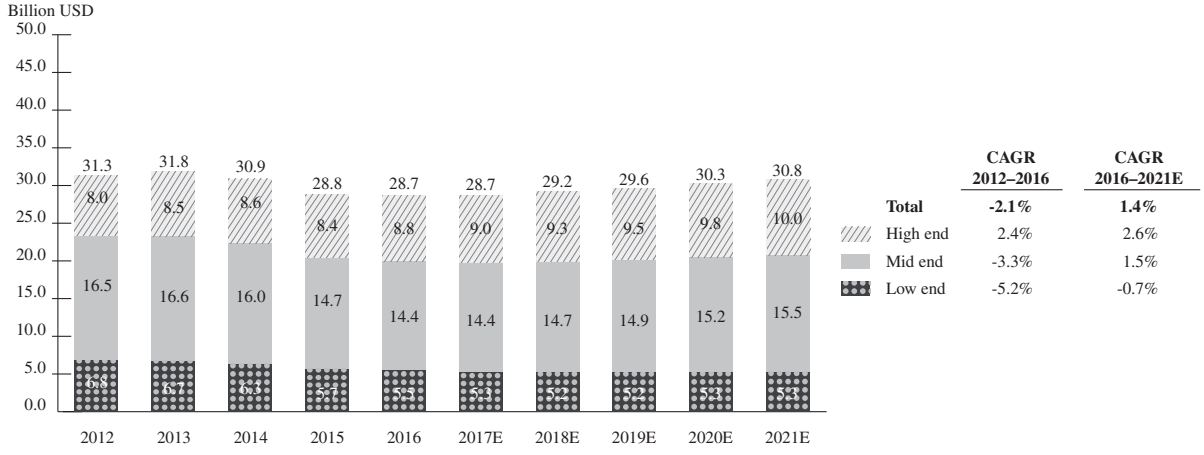
Overview

Apparel SCM services consist of a planning and managing process involving services from apparel design to product delivery. The business scope of an apparel SCM company depends on its management capability in each step of the process. Currently, the majority of apparel SCM companies in Hong Kong can only provide services covering part, but not all, of the SCM process.

Production outsourcing is the core service provided by Hong Kong apparel SCM companies. Since costs of labour and manufacturing are high in Hong Kong, most Hong Kong apparel SCM companies partner with OEM companies in the PRC, Southeast Asia or other developing countries. Some apparel SCM companies in Hong Kong approach raw material suppliers directly in order to control quality and reduce costs, whereas other companies normally delegate such task to their OEM partners.

Market Size and Outlook

The chart below sets forth the historical and projected total retail value of the Hong Kong apparel SCM market by product sector from 2012 to 2021:



Source: CIC

The Hong Kong apparel SCM market declined slightly from 2012 to 2016 due to multiple factors, such as European sovereign debt crisis in 2012, and increasingly intense competition with PRC counterparts as China moves towards a more service-oriented economy and its small and medium enterprises rapidly improve their service quality. The apparel SCM market size in 2016, which was estimated at US$28.7 billion, comprised apparel SCM trade through Hong Kong (worth US$11.2 billion), and apparels managed by Hong Kong SCM companies, such as our Group, and directly delivered from their countries of origin, such PRC, to their final destinations, bypassing Hong Kong (worth US$17.5 billion). The value of apparels being directly delivered from their countries of origin to their final destinations is estimated to account for 50% to 70% of the size of Hong Kong's apparel SCM market from 2012 to 2021.

From 2016 to 2021, the Hong Kong apparel SCM market is expected to expand steadily due to the stabilised European economy and the PRC government's policy to promote export of high value-added apparels. Consolidation of the Hong Kong apparel SCM industry is expected to take place since large-scale apparel SCM providers have competitive edges over smaller players in terms of trading experience, high-profile clients and economies of scale. Both the mid-end and high-end product sectors are expected to grow more rapidly than the low-end product sector.

Growth Drivers

Key drivers for the Hong Kong apparel SCM market include the following:

- *Increasing purchasing power from major global markets drives greater demand.* European countries including Germany, France and Italy are major markets of our Group and our competitors. Their rising disposable income levels have been key driving forces for the apparel SCM market in Hong Kong. For example, between 2011 and 2015, Germany's per capita disposable income increased at a CAGR of 2.7%, and German consumers' per capita expenditure increased at a CAGR of 2.1% during the same period.

- *SCM companies' expertise in protecting customers' interest.* Foreign customers with cultural and language barriers in Asia may have difficulty in dealing with local suppliers. SCM companies in Hong Kong can use expertise to assist foreign customers in production management and quality control, as well as ensuring pricing transparency.

Entry Barriers

Entry barriers of the Hong Kong apparel SCM market include the following:

- *Ability to provide full service package.* Since the apparel SCM comprises multiple services from apparel design to product delivery, the ability to provide a comprehensive apparel SCM service package is a major barrier to new entrants to the industry, especially for the specialised and skill-demanding services such as apparel design.

- *Building up customers' trusts.* A key success factor for Hong Kong SCM providers is their long-term, trustworthy relationships with their customers such as brand owners and retailers. Establishing such relationships requires the ability of SCM companies to consistently provide high-level customer supports and deliver products on time. In return, these customers are reluctant to change their current entrusted SCM service providers. As such, new industry players will face difficulties in building up customers' trusts.

- *Experienced management team.* The apparel SCM is a complex process involving a wide range of services, which requires a management team with extensive industry knowledge and profound experience. Establishment of such management team which has capacity to manage the entire apparel supply chain process, from apparel design to product delivery, is another barrier for entering into the industry.

Competitive Landscape

There are more than 10,000 companies in the Hong Kong apparel SCM market which can be categorised into the following three segments, the characteristics of which are summarised in the table below:

Market segment	No. of companies	Target product sectors	Gross profit margin	Market size in terms of revenue in 2016	Characteristics
				(HKD million)	
Specialised full-service apparel SCM segment	approximately 100	Mid to high	High	18,132.7	• Only apparel industry coverage • Comprehensive apparel SCM service capacity, including product design
Multi-industry SCM companies with full apparel SCM service segment	approximately 20	Mid to high	Medium	101,184.7	• Multi-industry coverage beyond apparel • Comprehensive apparel SCM service capacity, including product design • Diversified apparel and other types of products • Strong in logistics business
Partial-service apparel SCM segment	more than 10,000	Low to mid	Low	104,542.6	• Only apparel industry coverage • Incomplete coverage for apparel SCM services, mainly focused on either trading or production outsourcing

The Hong Kong apparel SCM market is highly fragmented and competitive. The specialised full service apparel SCM market segment had a revenue of HKD18.1 billion in 2016, accounting for 8.1% of the total SCM market of Hong Kong. The market share of our Group in this market segment was 0.3% in terms of revenue in 2016. The following companies are among the major players in the specialised full-service apparel SCM market segment:

- *SG Group Holdings Limited (樺欣控股有限公司).* This company was established in 2010 and provides apparel products and comprehensive apparel SCM services. Its key apparel products are for women and children. This company mainly serves customers in the United Kingdom and their customers comprise mainly fashion retailers and online retailers and had a market share of 0.9% in terms of revenue in 2016. This company is listed on the Stock Exchange with stock code 8442.

- *Speed Apparel Holding Limited (尚捷控股有限公司).* This company was established in 2012 and offers knitwear products and apparel SCM services. With a market share of 2.4% in terms of revenue in 2016, this company sells knitwear products predominantly to customers mainly comprising owners and sourcing agents of apparel retail brands in Japan. This company is listed on the Stock Exchange with stock code 8183.

- *Season Pacific Holdings Limited (雲裳衣控股有限公司).* This company was established in 2013 and offers apparel products with the provision of apparel SCM services. Its key products include knitwear and woven products. With a market share of 1.1% in terms of revenue in 2016, this company serves a diverse range of customers, mainly comprising mid-sized brand owners and apparel companies in Europe, Middle East, Americas and Asia-Pacific. This company is listed on the Stock Exchange with stock code 1709.

Note: Revenues of public companies listed above are extracted from their annual reports which may have different financial year end dates as compared to our Group's. For illustration purpose only, the revenue of a company for the financial year which covered the majority of the months of 2016 was considered to determine its market size in 2016. For example, the revenue of SG Group Holdings Limited for the year ended 30 April 2017 (which covered eight months of 2016) is considered for determining its market size in 2016.

Hong Kong SCM service providers enjoy significant comparative advantages over their overseas competitors, as they are geographically located much closer to PRC apparel manufacturers, which maintain a leading position in the world's apparel manufacture market, in terms of both technical capabilities and product quality. For details, please refer to the paragraph headed "— The PRC Apparel Manufacturing and Exporting Market" in this section. As a result, Hong Kong SCM service providers, including our Group, enjoy advantages including easy access to the suppliers, which largely facilitates face to face discussions about customers' needs, especially when such needs involve complex design requirements, and convenience for conducting on site quality control inspections to monitor the performance of suppliers, thus saving travelling costs and reducing the production lead time.

Competitive Advantages of our Group

Our Group has the following key competitive advantages:

- *Vertically integrated business model enables one-stop SCM services.* Our Group provides one-stop SCM services for apparel products to customers, as compared to the majority of our competitors which only provide a limited range of SCM services. Our Group's services save the customers' time and cost since they do not need to look for different suppliers to provide various SCM services.

- *Strong business relationships with customers in European apparel retail markets.* Our Group has developed an established customer base in local apparel retail markets in Europe, predominantly Germany, consisting of large department stores and boutique shops offering fashion brands, as well as apparel sourcing agents. Our Group has developed reputation with customers through years of quality SCM services meeting their demands.

- *Well-connected network of suppliers.* Our Group has a thorough understanding of the manufacturing capabilities of suppliers in the PRC, Madagascar and Cambodia, including their competitive strengths. Therefore, we can quickly select suppliers that meet customers' demands in terms of budget, technical requirements and design specifications.

- *Experienced management team with in-depth knowledge.* Our Group has a strong management team with extensive experience and in-depth knowledge in apparel SCM services. We have the capability of formulating sound business strategies, assessing and managing risks, adapting to changes in customers' preferences, thereby enabling us to seize major market opportunities.

THE PRC APPAREL MANUFACTURING AND EXPORTING MARKET

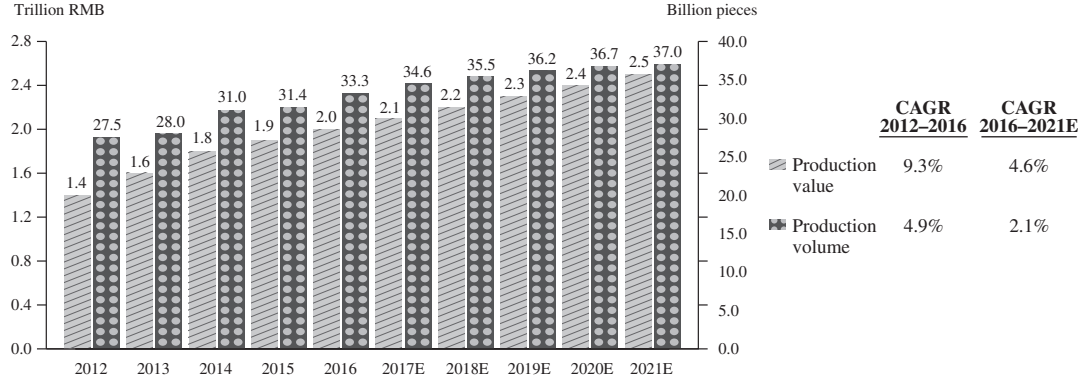
Overview

There are currently more than 100,000 apparel manufacturers employing over 10 million people in the PRC, which are mainly located in south eastern China. The total output for five provinces along the eastern and southern coast, namely Shandong, Jiangsu, Zhejiang, Fujian, and Guangdong, makes up about 70 percent of the PRC's total apparel output. According to the China National Garment Association, the PRC apparel industry enjoyed an advantage in making apparel products of different categories in a fast and timely manner, securing its top position in the world apparel manufacturing market in terms of both technical capacity and product quality.

Apparel manufacturers in the PRC can be categorised into three categories: (i) branded manufacturers, which are owned by specific apparel companies and do not take orders from external companies; (ii) OEMs, which take orders of manufacturing apparel products from their customers; and (iii) composite manufacturers, which have a broadened business scope including apparel design, manufacturing, distribution and launching their own brands. With the abundant supply of apparel manufacturers with suitable capabilities, Hong Kong apparel SCM companies can switch apparel manufacturers according to their needs easily.

Market and Outlook

The chart below sets forth the historical and expected apparel production value and production volume in the PRC from 2012 to 2021.



Source: CIC

The rapid growth in the apparel production value in the PRC between 2012 to 2016 was primarily due to rising prices of apparel products. Meanwhile, the growth of apparel production volume grew less vigorously during the same period since China is going through a period of industrial transformation. From 2016 to 2021, the apparel production value in the PRC is expected to increase further, as PRC Chinese apparel manufacturers are switching from low to high value-added apparels and are adopting advanced manufacturing techniques to deal with the rising labour costs and to sustain their competitiveness when competing with other production bases in Southeast Asia and other parts of the world. Moreover, the number of less-profitable manufacturers is declining due to the intensification of market competition, which either leads such manufacturers to improve their competitiveness or drives them out of this PRC market.

Growth Drivers

Key drivers for the PRC apparel manufacturing and exporting market include the following:

- *Stable demand from domestic and international markets.* Increasing disposable income of end consumers in the PRC has led to a rising purchasing power, higher living standards and personal need for a more exquisite lifestyle. As a result, end consumers have increased their average spending on apparels over the past few years. A growing number of end consumers can afford branded apparels, thus further driving the demand for apparel manufacturing in the PRC.

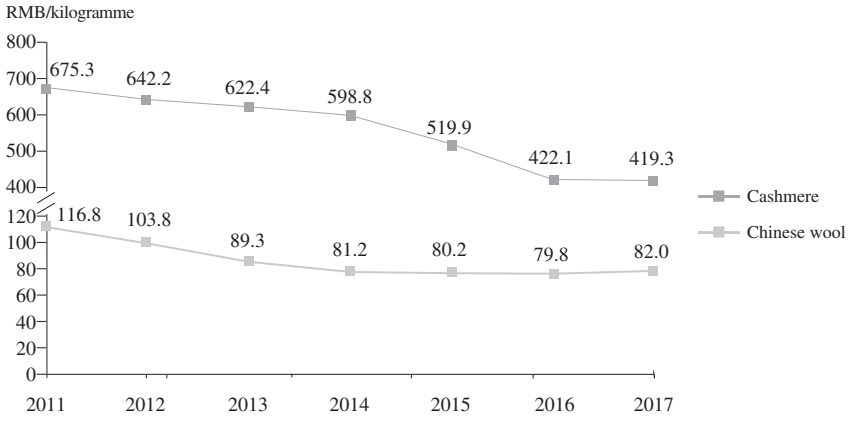
- *Advanced manufacturing techniques and experienced workers.* Many reputable international apparel companies have established manufacturing plants in the PRC, bringing with them advanced manufacturing techniques which an increasing number of Chinese apparel manufacturers have adopted. Moreover, due to China's long history in apparel manufacturing, there is an abundant supply of experienced workers in the PRC.

- *Developed value chain and logistics network.* China has developed a mature apparel industry value chain with developed transportation infrastructure and logistics network, especially in the southeastern coastal region, which has made PRC apparel manufacturers more appealing to international branded apparel companies.

- *Supportive national strategy and export policy.* PRC has launched an industrial transformation in recent years, resulting in more value-added contents in apparel products and a higher technological level in the apparel manufacturing industry. Since 2015, the PRC government has increased the export rebate rates of certain apparel products to encourage the export of apparel products.

Major Raw Materials and Labour Costs

The following chart sets forth the historical prices of the major raw materials we used for the apparel products ordered by our customers from 2011 to 2017:



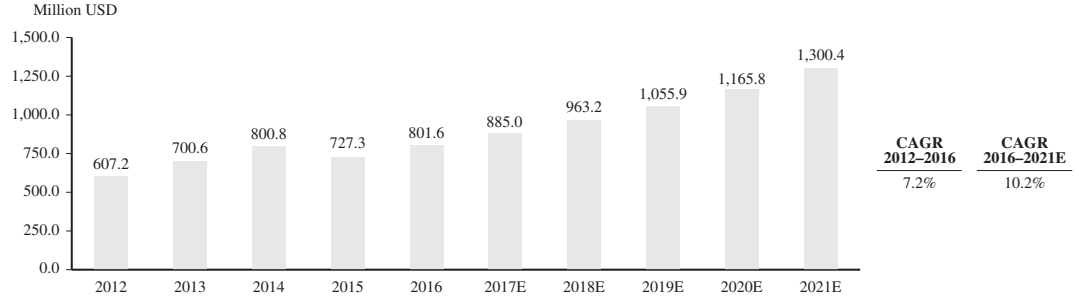
Source: CIC

The price of cashmere decreased considerably from 2011 to 2017, from RMB675.3 per kilogramme to RMB419.3 per kilogramme, while the price of wool decreased from RMB116.8 per kilogramme to RMB82.0 per kilogramme from 2011 to 2017. The price of cashmere has undergone a downward trend mainly due to an increased supply in cashmere in recent years. Mongolia produces nearly one third of cashmere globally and exports to China. Cashmere production in Mongolia has kept increasing since 2012 as a result of the increasing population of goat livestock. Meanwhile, the demand for cashmere products was relatively stable in recent years, which posed a downward pressure on the price of cashmere.

Moreover, along with the development of the Chinese economy and rising costs of living, the average wage for manufacturing workers in China rose rapidly in the period from 2011 to 2016. Labour costs are expected to continue increasing but at a slower rate in the future.

THE MADAGASCAR APPAREL MANUFACTURING AND EXPORTING MARKET

The chart below sets forth the historical and projected apparel production value in Madagascar from 2012 to 2021:



Source: CIC

With an expected apparel production value of USD885.0 million in 2017, both exports and imports of Madagascar are expected to enjoy more growth between 2017 and 2021 than in the previous five year period. Madagascar has favourable conditions that are conducive for apparel exports, as it enjoys both quota-free and duty-free access to EU markets under the Lomé Convention. Moreover, the interim Economic Partnership Agreement between the EU and Madagascar (and other Eastern and Southern Africa (ESA) States) signed in August 2009 eliminates duties and quotas for imports from Madagascar to the EU. Moreover, Madagascar is well-situated geographically — goods can be shipped to Europe in just 20–24 days, half the time it takes to ship from China.

We are subject to various laws and regulations of Hong Kong, Germany and France that are material to our operations and are discussed below.

LAWS AND REGULATIONS OF HONG KONG

Business Registration Ordinance

The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every entity which carries on a business in Hong Kong to apply for business registration. We held a valid business registration certificate under the Business Registration Ordinance throughout the Track Record Period and as at the Latest Practicable Date.

Inland Revenue Ordinance

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) is for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The Inland Revenue Ordinance provides, among others, that persons, which include bodies of persons, trustees, partnerships, and corporations, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits apart from profits arising from the sale of capital assets arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profits tax rate for corporations is at 16.5%. The Inland Revenue Ordinance also contains provisions in relation to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation. Carrying out our business in Hong Kong is subject to the profits tax regime under the Inland Revenue Ordinance.

Sale of Goods Ordinance

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) is an ordinance to provide for the regulation and control the sale of goods activities in Hong Kong.

Under section 15 of the Sale of Goods Ordinance, where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description.

Under section 16 of the Sale of Goods Ordinance, where a seller sells goods in the course of business, there is an implied condition that the goods supplied under the contract are of merchantable quality, except that there is no such condition (i) as regards to defects specifically drawn to the buyer's attention before the contract is made; or (ii) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (iii) if the contract is a contract by sample, as regards defects which would have been apparent on a reasonable examination of the sample.

Under section 17, where there is a contract for sale by sample, there are implied conditions that (i) the bulk shall correspond with the sample in quality; (ii) the buyer shall have a reasonable opportunity of comparing the bulk with the sample; and (iii) the goods shall be free from any defects, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.

Where any right, duty or liability would arise under a contract of sale of goods by implication of law, it may (subject to the Control of Exemption Clauses Ordinance (Chapter 71) of the laws of Hong Kong) be negatived or varied by express agreement, or by course of dealings between the parties, or by such usage as to bind both parties to the contract.

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

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

(a) a person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his/her/its liability for death or personal injury resulting from negligence and in the case of other loss or damage, a person cannot exclude or restrict his/her/its liability for negligence except in so far as the term or notice satisfies the requirement of reasonableness;

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

(c) a person dealing as a consumer cannot be reference to any contract term be made to indemnify another person in respect of liability that may be incurred by the other for negligence or breach of contract, except in so far as the contract term satisfies the requirement of reasonableness; and

(d) as against a person dealing as consumer, the liability for breach of the obligations arising under section 15, 16 or 17 of the Sale of Goods Ordinance cannot be excluded or restricted by reference to any contract term, and as against a person dealing otherwise than as consumer, the liability arising under section 15, 16 or 17 of the Sale of Goods Ordinance can be excluded or restricted by reference to a contract term, but only in so far as the term satisfies, the requirement of reasonableness.

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

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

Trade Descriptions Ordinance (Chapter 362 of Laws of Hong Kong)

The Trade Descriptions Ordinance aims to prohibit false trade description, false, misleading or incomplete information, false statement, etc., which shall be applicable to our Group in respect of products offered in the provision of apparel supply chain management services. All of the products or services supplied by our Group may be required to comply with the relevant provisions therein.

Section 2 of the Trade Descriptions Ordinance provides, *inter alia*, that "trade description" in relation to goods means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognised by any person, price, their being of the same kind as goods supplied to a person, price, place or date of manufacture, production, processing or reconditioning, person by whom manufactured, produced, processed or reconditioned etc), with respect to any goods or parts of the goods; and in relation to services means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, nature, scope, quantity, fitness for purpose, method and procedures, availability, the person by whom the service is supplied, after-sale service assistance, price etc.).

Section 7 of the Trade Descriptions Ordinance provides that no person shall in the course of trade or business apply a false trade description to any goods or sell or offer for sale any goods with false trade descriptions applied thereto.

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

Sections l3E, 13F, 13G, 13H and 13I of the Trade Descriptions Ordinance provide that a trader who engages in relation to a consumer in a commercial practice that (a) is a misleading omission; or (b) is aggressive; (c) constitutes bait advertising; (d) constitutes a bait and switch; or (e) constitutes wrongly accepting payment for a product, commits an offence.

A person who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I shall be subject, on conviction on indictment, to a fine of HK$500,000 and to imprisonment for 5 years, and on summary conviction, to a fine at HK$100,000 and to imprisonment for 2 years.

Import and Export Ordinance

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) is an ordinance to provide for, among others, the regulation and control of the import of articles into Hong Kong and the export of articles from Hong Kong.

Textiles, which include any natural or artificial fibre products and any combination of natural and artificial fibre as defined under the Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong), a subsidiary legislation of the Import and Export Ordinance, are currently not a "prohibited article" under the provision of the Import and Export Ordinance and its subsidiary legislations. Thus, a licence issued by the Director-General of Trade and Industry for permission of importation and exportation is not necessary under the Import and Export Ordinance. However, we can

apply for registration under the Import and Export (General) Regulations as a registered textiles trader under the textiles trader registration scheme ("**TTRS**"). TTRS is a voluntary registration scheme and is not a mandatory requirement for us to conduct business.

Employment Ordinance

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) is an ordinance for, among others, the protection of the wages of employees and the regulation of the general conditions of employment and employment agencies in Hong Kong. The Employment Ordinance covers a comprehensive range of employment protection and benefits for employees including wage protection, maternity protection, paid annual leave, payment in lieu of notice and long service payment.

Mandatory Provident Fund Schemes Ordinance

The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) is an ordinance for the purpose of providing for the establishment of the non-governmental mandatory provident fund schemes ("**MPF Scheme(s)**"). The Mandatory Provident Fund Schemes Ordinance requires every employer of an employee aged between at lease 18 but under 65 years of age and employed for 60 days or more be registered as a member of a registered MPF Scheme. Our Company has been a certified participating employer in a registered MPF Scheme.

Minimum Wage Ordinance

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) is an ordinance for the purposes of providing a minimum wage at an hourly rate for most employees (apart from a person to whom the Employment Ordinance does not apply because of section 4(2) of that ordinance or who is engaged under a contract of apprenticeship registered under the Apprenticeship Ordinance; or a person who is employed as a domestic worker in, or in connection with, a household and who dwells in that household free of charge; or a student intern; or a work experience student during a period of exempt student employment). The Minimum Wage Ordinance adopts a statutory minimum wage ("**SMW**") regime. The Legislative Council has recently approved the subsidiary legislation relating to SMW. The minimum wage rate is currently set at HK$34.5 per hour with effect from 1 May 2017.

Employees' Compensation Ordinance

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or death arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 40 of the Employees' Compensation Ordinance, all employers are required to take out insurance policies to cover their liabilities both under the Employee's Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance coverage commits an offence and is liable on conviction (i) upon indictment to a fine at level 6 (currently at HK$100,000) and to imprisonment for two years, and (ii) on a summary conviction to a fine at lever 6 (currently at HK$100,000) and to imprisonment for one year.

Regulatory and Shareholders' Approval Required for the [REDACTED]

The [REDACTED] will be conditional upon, among others, (i) the Stock Exchange granting the approval for the [REDACTED] of, and permission to deal in, our Shares in issue and our Shares to be issued pursuant to the [REDACTED] and the [REDACTED] and our Shares which may fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme and such approval not having been withdrawn; and (ii) the passing of the resolutions in writing of the sole Shareholder on 16 April 2018 as referred to in the section headed "Statutory and General Information — A. Further Information About Our Group — 3. Written Resolutions of the Sole Shareholder Dated 16 April 2018" in Appendix IV to this document.

LAWS AND REGULATIONS OF GERMANY

Laws and Regulations Relating to Product Textiles Requirements

Material Specifications/Labelling Requirements

The Directive 2001/95/EC of the European Parliament and of the Council of 3 December 2001 on general product safety (General Product Safety Directive) regulates product safety. It introduced at the EU level a general product safety requirement for any product placed on the market, containing provisions on the general obligations of producers and distributors, on the enforcement of European product safety requirements and on rapid exchange of information and action at the EU level in certain cases. The General Product Safety Directive has been implemented in Germany by the German Product Safety Act ("**PSiG**"). Under section 6 paragraph 1 of the PSiG the manufacturer, its authorised representative and the importer of a consumer product, when making it available on the German market, must: (i) ensure that the user receives the information he needs in order to assess the risks which are not directly recognisable; (ii) ensure that the name and contact address of the manufacturer or, if the manufacturer is not domiciled in the European Economic Area, the name and contact address of its authorised representative or the importer are affixed to the product; and (iii) affix unambiguous markings allowing the identification of the consumer product.

The obligations under the PSiG concern the manufacturer, its authorised representative, and the importer. The manufacturer is defined as "any natural or legal person who manufactures a product or has a product designed or manufactured, and markets that product under his name or trademark" and thus may not necessarily be the person who actually conducts the manufacturing process but may also be the person who is responsible for the products by marketing them in his or its own name or trademark. In case that a person sells the products to the (first) customer in Germany and the customer then attaches trademarks or labels onto the products thereafter, whereas the customer will become a manufacturer in the sense of the PSiG at this point, the person who sells the products to the customer in Germany will also remain responsible.

In addition to the PSiG, the European Textile Labelling Act (Textilkennzeichnungsverordnung (EU) No. 1007/2011, "**TKVO**") requires that textile products have to be labelled or marked whenever they are made available on the market. "Textile products" include all products containing at least 80% by weight of textile fibres, including raw, semi-worked, worked, semi-manufactured, semi-made, and made-up products. The provisions in the TKVO about how labels should be made include (without limitation) the following: (i) a textile product shall be labelled or marked with the name and percentage by weight of all constituent fibres in a descending order; (ii) the labelling and marking of textile products shall be durable, easily legible, visible and accessible and, in the case of a label, securely attached; and (iii) although the labelling requirements under the TKVO lie with the manufacturer, in the case that the manufacturer is not established in the EU, the importer will be responsible to ensure the supply of the label or marking and the accuracy of the information contained therein. In case the textile products are marketed over the internet, the labelling requirements under the TKVO also need to be fulfiled.

The Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market prohibits misleading commercial practices. This Directive applies to unfair business-to-consumer commercial practices, during and after a commercial transaction in relation to a product. Pursuant to the Directive, unfair commercial practices include misleading commercial practices, such as misleading advertising (including labelling), and aggressive commercial practices. This Directive has been implemented in Germany by the German Act against Unfair Competition ("**UWG**"). The UWG prohibits certain trade practices, which are considered unfair and provides for damage and omission claims in case of violation.

Provisions on Problematic Substances

There are several European and German regulations concerning forbidden and/or problematic substances, the most important of which are set out below.

- The German Consumer Goods Ordinance (Lebensmittel-und Bedarfsgegenständeverordnung) bans the use of azodyes in clothing fabrics which may release certain aromatic amines. Furthermore, the German Consumer Goods Ordinance requires appropriate labelling in case the relevant textile products contain a certain threshold of formaldehyde.

- The German Prohibited Chemicals Regulation and the Regulation on Hazardous Materials contain restrictions on the use of some substances, including (but not limited to) DDT, asbestos, formaldehyde, aromatic amines, organostannic compounds, pentachlorinated phenol (PCP) and cadmium and its compounds.

- The Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals ("**REACH**") requires that enterprises that manufacture or import more than one tonne of a chemical substance per year have to register it in a central database; manufacturers of textiles will be required to provide information on use of chemicals.

- The Biocidal Products Regulation ("**BPR**") requires a registration for certain substances that are contained in textile products, e.g. flame retardants, insecticides and acaricides.

Laws and Regulations in Relation to Product Security and Product Liability

Product Security

According to section 3 of the PSiG, no product may be made available to the market if it puts the health and safety of persons at risk. For apparel products, they may only be made available on the market if their intended or foreseeable use does not put the health and safety of persons at risk. In order to assess whether a product complies with this requirement, the following aspects shall be taken into account in particular: (i) the characteristics of the product, including its composition, packaging and instructions for assembly, installation, maintenance and useful life; (ii) the impact of the product on other products, where it is reasonably foreseeable that it will be used together with other products; (iii) the presentation of the product, its marking, any warnings, instructions for use and instructions for its disposal and any other product related data or information; and (iv) the groups of users that are exposed to greater risks than other groups.

Products Liability

In the EU, product liability is governed by the European Directive No. 85/374/EEC of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products (Product Liability Directive). The Product Liability Directive has been implemented in Germany by the German Product Liability Act (Produkthaftungsgesetz, "**ProdHaftG**"), according to which the producer has to provide compensation, if a defective product causes any damage to consumers or their property, irrespectively of whether there is negligence or fault on their part. This legislation applies to any product marketed in Germany. It sets out a time limit of three years for the recovery of damages and forbids clauses limiting or excluding the liability of the producer. The injured party must prove the damage, the defect and the causal relationship between defect and damage for the purpose of compensation.

In addition to the ProdHaftG, section 823 of the German Civil Code provides for an unlimited liability of the manufacturer of textile products for damages caused by construction, production, information and monitoring errors.

Non-marketability of Products and Penalties

Products that do not comply with the aforementioned statutory regulations regarding product requirements cannot be marketed in Germany or in the EU.

Measures of the Authorities

The competent surveillance authorities are entitled and obliged to take appropriate measures when they have reason to suspect that a product does not fulfil the aforementioned requirements of the PSiG. Such measures include, but are not limited to: (i) prohibiting the exhibition of such product; (ii) ordering that such products be withdrawn or recalled; and (iii) seizing such products, destroying or having them destroyed or otherwise rendered unusable.

Damages

Should the products be unsafe and should somebody suffer damages due to the "unsafety" of the products, according to Section 823(2) of the German Civil Code and Section 1 of the ProdHaftG, the manufacturer (including the person or entity which sells such products to its customer in Germany, which in turn sells to end consumers) may face claims for damages from these persons. The maximum compensation for a defective product under the German Product Liability Act is EUR85 million.

Penalties/Sanctions

Noncompliance with the aforementioned regulations is subject to fines: (i) noncompliance with labelling requirements under the PSiG results in a fine of up to EUR10,000; (ii) noncompliance with the TKVO results in a fine of up to EUR10,000; and (iii) noncompliance with the German Consumer Goods Ordinance, the German Prohibited Chemicals Regulation or the Regulation on Hazardous Materials, REACH or BPR results in a fine of up to EUR50,000.

Under certain conditions, noncompliance may also amount to a criminal offence.

Laws and Regulations Relating to Taxation of Imports

VAT

Based on the EU regulatory framework (VAT Directive 2006/112/EC) and its respective transformation into German law, the supply of goods and services within the EU is generally subject to VAT. It is also charged on goods imported into the EU, respectively Germany, from outside the EU and payable by the importer at the same rate as if the goods were supplied within Germany. For textile products, the applicable VAT rate is currently 19%. The importer is the customs declarant or the person named by the declarant in the customs and import VAT declarations.

Tariff

Customs duty, if any, is payable on imported goods from any foreign country into the EU depending on the customs tariff under the applicable harmonised EU regulations which mainly comprise the Union Customs Code (Regulation (EU) No 952/2013, the Common Customs Tariff (Regulation (EEC) No. 2658/87) and the Customs Duty Relief Regulation (Council Regulation (EC) No. 1186/2009). Customs duty is payable by the importer. With limited exceptions, only a person or company resident within the EU is entitled to file the application for customs clearance. In most cases, a customs declaration is filed by a customs agent on behalf of its principal who is the importer and thus liable to customs and import VAT. Agencies need to be stated in the customs declaration. The principal of the customs agent is generally determined by the delivery terms agreed between supplier and customer, e.g. on the basis of Incoterms.

LAWS AND REGULATIONS OF FRANCE

Laws and Regulations relating to Product Quality

Product Safety

The Directive 2001/95/EC of the European Parliament and of the Council of 3 December 2001 on general product safety (General Product Safety Directive) regulates product safety. It introduced at the EU level a general product safety requirement for any product placed on the market, containing provisions on the general obligations of producers and distributors, on the enforcement of European product safety requirements and on rapid exchange of information and action at the EU level in certain cases. A reference can be made to the EU standards from time to time, as summarised in a European Commission notice referred to as the Blue Guide.

The General Product Safety Directive applies to any product (including in the context of providing a service) which is intended for consumers or likely, under reasonably foreseeable conditions, to be used by consumers even if not intended for them, and is supplied or made available, whether for consideration or not, in the course of a commercial activity, and whether new, used or reconditioned. According to the Directive, producers shall be notably obliged to place only safe products on the market.

The French provisions implementing the General Product Safety Directive are mainly contained in the French Consumer Code. Article L.421–3 of the French Consumer Code sets out a general obligation of safety according to which products and services must, under normal conditions of use or under other circumstances that may reasonably be foreseen by the professional, offer the safety that can legitimately be expected and must not be a danger to public health.

Article L.421–4 of the French Consumer Code states that producers and distributors shall take all necessary measures to contribute to the respect of all security obligations laid down by the code.

Article L.421–1 of the French Consumer Code defines the notion of "producer" as including: "*a) the manufacturer of the product, if established in the European Community and any other person who presents itself as the manufacturer by affixing to the product his name, trade mark or other distinctive mark, or the person making the rehabilitation of the product; b) the manufacturer's representative, when the latter is not established in the European Community or, in the absence of representative established in the European Community, the importer of the product; and c) other professionals in the supply chain, insofar as their activities may affect the safety features of a product.*" This article also defines the notion of "distributor" as "*any professional in the supply chain whose activity does not affect the product's security features*".

Administrative sanctions may apply. Indeed, the competent administrative authorities may be entitled to take appropriate measures when they have reason to suspect that a product does not comply with the security obligations laid down by the French consumer code. For instance, Article L.521-17 of the French Consumer Code states that in case of serious and immediate danger, the competent administrative authorities can take urgent measures such as the suspension — for a period not exceeding one year — of the manufacturing, import, export, placing on the market, recall or destruction of the product.

Civil and criminal sanctions may also be imposed on producers and distributors of products who fail to comply with some obligations within the regulations.

The producer and/or the distributor may be held liable in both civil jurisdictions and may be sentenced by the civil courts to compensate the damages alleged by the injured party for liability in tort or contract (see for instance in the scope of the product liability regime referred to in the below section).

Under certain conditions, noncompliance with the security obligations laid down by the code may also lead to criminal offences (see for instance in case of misleading commercial practices or deceit referred to in the below section).

Product Liability

In the EU, product liability is governed by the European Directive No. 85/374/EEC of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products (Product Liability Directive).

The Product Liability Directive has been implemented under French law by the provisions of the Defective Product Liability Law No. 98–389 of 19 May 1998, which are mainly contained in the French Civil Code.

A producer is liable for damages caused by a defect in his product, whether he was bound by a contract with the injured person or not (Article 1245 of the French Civil Code). A product is defective when it does not provide the safety which a person is entitled to expect, taking all circumstances into account, including the presentation of the product, the use to which it could reasonably be expected that the product would be put, and the time when the product was put into circulation (Article 1245–3 of the French Civil Code).

A producer means the manufacturer of a finished product, the producer of any raw material or the manufacturer of a component part, where acting as a professional and shall be treated as a producer any person acting as a professional (i) who presents himself as the producer by putting his name, trade mark or other distinguishing feature on the product; or (ii) who imports a product into the EU for sale, or any other form of distribution (Article 1245–5 of the French Civil Code).

A seller, a hirer, with the exception of a finance lessor or a hirer similar to a finance lessor, or any other professional supplier is liable for the lack of safety of a product in the same conditions as a producer only if the latter remains unknown (Article 1245–6 of the French Civil Code).

As a general rule, the injured party shall be required to prove the damage, the defect and the causal relationship between defect and damage for the purpose of compensation (Article 1245–8 of the French Civil Code).

The producer shall not be liable if he proves that: (i) he did not put the product into circulation; or (ii) that, having regard to the circumstances, it is probable that the defect which caused the damage did not exist at the time when the product was put into circulation by the producer or that this defect came into being afterwards; or (iii) that the product was neither manufactured by the producer for sale or any form of distribution for economic purpose, nor manufactured or distributed by him in the course of his

business; or (iv) at the time the product was put into circulation, the defect could not be detected by application of the state of scientific or technical knowledge at that time; or (v) the defect was due to the compliance of the product with mandatory regulations issued by public authorities.

The producer of a component shall not be liable if he proves that the defect is attributable to the design of the product in which the component has been fitted or to the instructions given by the manufacturer of the product (Article 1245–10 of the French Civil Code).

If the above-mentioned conditions of the product liability regime are met, the producer may be held liable by civil courts and may therefore be sentenced to compensate the damages alleged by the injured party.

Labelling Requirements on Textile Products

Textile products which are available on the European market must comply with the labelling requirements which are set out in the Regulation (EU) No. 1007/2011 of the European Parliament and of the Council of 27 September 2011 on textile fibre names and related labelling and marking of the fibre composition of textile products, as amended ("**Textile Regulation**"). Textile products which are available on the European market must comply with the labelling requirements which are notably set out in this Regulation.

For the purposes of the Textile Regulation, the following products shall be treated in the same way as textile products: products containing at least 80% by weight of textile fibres; furniture, umbrella and sunshade coverings containing at least 80% by weight of textile components; the textile components of (i) the upper layer of multi-layer floor coverings; (ii) mattress coverings; (iii) coverings of camping goods, provided that such textile components constitute at least 80% by weight of such upper layers or coverings; and (iv) textiles incorporated in other products and forming an integral part thereof, where their composition is specified.

As a general rule, textile products shall be labelled or marked to give an indication of their fibre composition whenever they are made available on the market. Without prejudice to the foregoing, labels or markings may be replaced or supplemented by accompanying commercial documents when the products are being supplied to economic operators within the supply chain, or when they are delivered in performance of an order placed by any contracting authority as defined by Directive 2004/18/EC.

Textile products shall only be made available on the European market provided that such products are labelled, marked or accompanied with commercial documents in compliance with the Textile Regulation, including notably the following provisions:

— The labelling or marking shall not be misleading and shall be carried out in such a way that the consumer can easily understand.

— The labelling and marking of textile products shall be durable, easily legible, visible and accessible, and, in the case of a label, securely attached.

When placing a textile product on the market, the manufacturer shall ensure the supply of the label or marking and the accuracy of the information contained therein. If the manufacturer is not established in the EU, the importer shall ensure the supply of the label or marking and the accuracy of the

information contained therein. A distributor shall be considered a manufacturer for the purposes of this regulation where he places a product on the market under his name or trademark, attaches the label himself or modifies the content of the label. When making a textile product available on the market, the distributor shall ensure that textile products bear the appropriate labelling or marking prescribed by this regulation. The economic operators referred to in the foregoing lines shall ensure that any information supplied when textile products are made available on the market cannot be confused with the textile fibre names and the descriptions of fibre compositions, as laid down by this regulation.

The regulation provides for detailed technical specifications and information to be indicated on the labelling of the product to be checked on a case by case basis for each category of product. There may be also other EU or national rules for specific textiles as the case may be.

Several European and French regulations may apply concerning forbidden and/or problematic substances, some of which are listed below:

- The Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), as amended, which applies to many sectors such as the clothes sector. This Regulation lays down a list of restricted substances (on their own, in a mixture or in an article) for which manufacture, placing on the market or use is limited or banned in the European Union (see for instance the Dimethyl fumarate substance; azo dyes).

- The Regulation (EC) No 528/2012 of the European Parliament and of the Council of 22 May 2012 concerning the making available on the market and use of biocidal products, which notably applies to products used to be incorporated in textiles. This Regulation requires a registration for some substances.

Failure to comply the above obligations may lead, as the case may be, to civil or criminal sanctions (see for example civil and criminal sanctions referred to in the paragraphs "— Law and Regulations of France — Law and Regulations relating to Product Quality — Product Safety", "— Law and Regulations of France — Law and Regulations relating to Product Quality — Product Liability" and "— Law and Regulations of France — Law and Regulations relating to Product Quality — Unfair Business-to-consumers Commercial Practices"; there are also specific severe sanctions for products that may impact human health and safety).

Unfair Business-to-consumer Commercial Practices

The Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market prohibits misleading commercial practices.

This Directive applies to unfair business-to-consumer commercial practices, during and after a commercial transaction in relation to a product. Pursuant to the Directive, unfair commercial practices include misleading commercial practices, such as misleading advertising (including labelling), and aggressive commercial practices.

The French provisions implementing these rules establish the same distinction and set out the rules to be observed by a business seller, defines as "*any natural or legal person, public or private, who is acting for purposes relating to his commercial, industrial, craft, professional or agricultural activity, including when he is acting in the name of or on behalf of another professional*".

A commercial practice shall be regarded as unfair under Article L.121–1 of the French Consumer Code if (i) it is contrary to the requirements of professional diligence, and (ii) it materially distorts or is likely to materially distort the economic behaviour with regard to the product or service of the average consumer whom it reaches or to whom it is addressed.

A commercial practice shall be regarded as misleading under Article L.121–2 of the French Consumer Code if it (i) creates confusion between the product or service with other product or service, a brand, a commercial name or another distinguishing mark of the competitor; or (ii) is based on false allegations, indications or presentations or that are likely to mislead people, in relation to one or more of some elements such as the existence or nature of the product, the main characteristics of the product or the price of the product, etc.

A commercial practice shall be regarded as aggressive under Article L.121–6 of the French Consumer Code if, taking account of all its circumstances, by way of repeated and persistent solicitations or of the use of physical or moral force, (i) it significantly impairs or is likely to significantly impair the average consumer's freedom of choice or conduct; (ii) it invalidate or is likely to invalidate the consent of the consumer; or (iii) it infringes the exercise of contractual rights by a consumer.

The commission of such unlawful commercial practices may lead, as the case may be, to civil or criminal sanctions.

In particular, the producer and the distributor face the risk to be charged with the offence related to deceptive marketing practices, which notably includes misleading advertising. Such offence is punishable by the following criminal penalties under Article L.132-2 of the French Consumer Code: a prison sentence up to two-year and a fine up to EUR300,000 for individuals; a fine up to EUR1,500,000. They also face the risk to be charged with the offence of deceit. Such offence is punishable by the following criminal penalties under Article L.454-1 of the French Consumer Code: a prison sentence up to two-year and a fine up to EUR300,000 for individuals; a fine up to EUR1,500,000 and complementary penalties for companies. Besides, there may be also a risk of publication for these offenses which might seriously harm the reputation of the company on the market.

The amount of the fine can be increased, in a manner proportionate to the sales of the advertised products, to 10% of the average annual turnover, calculated over the three previous average annual turnovers known at the date of the events, or to 50% of the advertising budget incurred. Please note that the maximum amount of the fine may thus exceed the amount of EUR300.000 for individuals/ EUR1,500,000 for companies depending on the amount of sales of the advertised products/the advertising budget incurred.

Under French law, the producer and the distributor face also the risk that competitors and consumers bring civil actions, claiming that an allegedly unlawful practice carried out by the company causes (or is likely to cause) them a damage, such as an economic loss. Please note that consumers are allowed under French law to launch under certain conditions a possible "class action" to claim damages.

Laws and Regulations Relating to Imports

In the EU, customs law is harmonised and applies only to movements of goods between the EU and third countries. The EU customs units consist of the EU member states.

EU customs legislation comprises the Union Customs Code, the Common Customs Tariff (2658/87), the Customs Duty Relief Regulation (1186/2009) and various international customs cooperation agreements. The Union Customs Code, which applies with effect from 1 May 2016, is supplemented by the Delegated Act and Implementing Act.

Importation of goods from outside the EU constitutes a taxable transaction for customs duty purposes. Customs duties are imposed on the import of goods into the EU. Customs duties are calculated by applying the customs tariff to the customs value. The customs value of imported goods is based on the transaction value, which is the price actually paid or payable for the goods when such goods are sold for export to the EU.

A trader importing goods into the EU must register with the EU customs authorities and obtain an Economic Operators Registration and Identification number ("**EORI number**"). A trader established in the EU has to register in the member state of establishment. Third-country traders must request an EORI number in the member state where they intend to first file an entry summary declaration. The EORI number is valid for customs purposes throughout the EU and must be used in the communication with the customs authorities.

The person liable for import duties is the person who files the customs declaration or on whose behalf the declaration is filed by a representative. The declarant (or representative) must be established in the EU customs territory. Customs law permits both direct and indirect representation.

There are two main payment schemes for customs duties: immediate payment and deferred payment. In general, import duties must be paid within the period prescribed by the customs authorities, which may not exceed 10 days following notification to the debtor of the customs debt. The obligation to pay import duties may be deferred for a 30-day period upon request if certain conditions are met.

Laws and Regulations Relating to Taxation

VAT

The French value added system is in line with the VAT systems applied in the other EU member states (application of the VAT Directive 2006/112/EC).

The basic principle is for the supplier to charge VAT at each stage in the supply of goods and services (output tax). If the recipient of the supply is registered for VAT and uses the supplies for business purposes, he will generally receive credit for this VAT (input tax). If the difference between gross tax (output tax) and the VAT tax paid (tax input) to the supplier is negative, the tax-liable person normally sets off the surplus against his future tax payments or may, under certain conditions, request its refund. The broad effect is that VAT is generally not an absolute cost to businesses and VAT is actually borne by the final consumer.

A transaction is within the scope of VAT in France if all of the following conditions are met:

1. it is a supply of goods or services, unless expressly exempt;

2. the supply of goods or services takes place in France;

3. it is made by a taxable person; and

4. it is made in the course or furtherance of any business carried on by that person.

Taxable persons, for VAT purposes, means all entrepreneurs making taxable supplies of good and services in the course of a business.

Applicable rates of VAT vary depending on the type of goods or services supplied and are either 0% (zero rate), 5.5% (reduced rate), 10% (intermediary rate) or 20% (standard rate).

Corporate Income Tax

Unlike all other countries of the EU which apply worldwide taxation on profits, France assesses corporation tax only on profits made by companies operated in France, regardless of their citizenship. Consequently, profits made by companies operated abroad are not subject to corporation tax, while foreign companies pay corporation tax on the profits made by companies they operate in France. Accordingly, companies taxable in France cannot report losses incurred by enterprises operated abroad. This rule applies regardless of the type of the company (subsidiary, branch or permanent establishment).

The maximum standard rate of CIT is 33.33%. This rate will progressively be reduced to 25% by 2022, as follows:

Corporate income tax (CIT) rates

Fraction of taxable result	**2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**
<€500,000	28%	28%	28%	26.5%	25%
>€500,000	33.1/3%	31%	28%	26.5%	25%

Please note that companies with an annual turnover of at least EUR7,630,000 and whose corporate income tax liability exceeds EUR763,000 are subject to a social surcharge of 3.3% levied on the part of the CIT which exceeds EUR763,000. Thus, the resulting maximum effective rate on that part is 34.43%. This maximum effective rate will progressively be reduced to 25.83% by 2022.

A company usually pays corporation tax by reference to each accounting period and its taxable profits for a given accounting period is the sum of its income profits and chargeable gains, less certain deductible payments that the company makes. The corporate income tax has to be liquidated by latest one month after the book keeping for the fiscal year has been given. For a firm ending its accounting period the 31 of December, the tax is due the 15 of May. There are four preliminary payments during the fiscal year, due the 15 of March, 15 of June, 15 of September, 15 of December.

OUR HISTORY

We are principally engaged in the provision of one-stop apparel SCM solutions to our customers which include market trend analysis, product design and development, sourcing of suppliers, production management, logistics management and quality control services.

The history of our Group can be traced back to March 2010 when our Controlling Shareholder, Mr. Ko, founded our operating subsidiary Vision Garments with his own funds. Seeing the significant demands for apparel SCM services from European customers, Mr. Ko found Vision Garments in 2010. In August 2010, Mr. Morris Ko joined Vision Garments and started to work as a merchandiser on the sale and sourcing of middle to high-end apparel products for our customers. Please refer to the section headed "Directors and Senior Management" in this document for details relating to the background and experiences of Mr. Ko.

Since inception, we have focused on providing apparel SCM services to our customers. In 2011, we successfully entered into the German apparel market and sold apparel products to large department stores, boutique shops, as well as apparel sourcing agents in Germany. Over the years, we have built up our client base in the European apparel retail markets. In 2014, we commenced product sales to one of the largest department stores in Europe which carries international fashion brands. In 2017, we expanded into the French apparel retail market and established business relationship with Rodier and ZAPA. Further, we have begun our cooperation with Sidefame Limited, a new customer in Hong Kong since June 2017.

BUSINESS MILESTONES

The following table summarises various milestones of our Group's business development:

Date	Major development and achievement
2010	• Mr. Ko established Vision Garments, our principal operating subsidiary.
2011	• We commenced product sales to large department stores and boutique shops offering fashion brands, as well as apparel sourcing agents in Germany.
2013	• We engaged external design consultants who have extensive experience and profound knowledge of fashion trends, styles and industry know-how to strengthen our design capabilities.
2014	• We commenced sales to one of the largest department stores in Europe.
2017	• We expanded the geographic coverage of our business into the French apparel retail market and established business relationships with Rodier and ZAPA. • We started cooperation with Sidefame Limited and commenced expansion into the Hong Kong apparel retail market.

CORPORATE HISTORY AND DEVELOPMENT

Upon completion of the Reorganisation, our Group comprised three companies: our Company, Market Gala and Vision Garments. The following table summarises their principal business activities as at the Latest Practicable Date:

Name of company	Place of incorporation	Date of incorporation	Principal business activities
Our Company	Cayman Islands	19 January 2017	Investment holding
Market Gala	BVI	10 March 2010	Investment holding
Vision Garments	Hong Kong	17 March 2010	Provision of apparel SCM services

Vision Garments

On 17 March 2010, Vision Garments was incorporated in Hong Kong with limited liability, with an authorised share capital of HK$10,000.00 divided into 10,000 shares of HK$1.00 each. On the date of its incorporation, one fully paid share of Vision Garments was allotted and issued to the initial subscriber, an Independent Third Party, and subsequently transferred to Mr. Ko at par value in July 2010. In August 2010, Mr. Ko transferred one share of Vision Garments to Market Gala at par value. Following the coming into effect of the Companies Ordinance on 3 March 2014, the nominal value of the shares in Vision Garments was abolished pursuant to section 135 of the Companies Ordinance. On 12 November 2014, 23,999,999 fully paid shares of Vision Garments were further allotted and issued to Market Gala at the subscription price of HK$1.00 per share.

Vision Garments is principally engaged in the provision of apparel SCM services to customers.

Market Gala

On 10 March 2010, Market Gala was incorporated in BVI with limited liability, with an authorised share capital of US$50,000.00 divided into 50,000 shares of US$1.00 each. On 22 March 2010, one fully paid share of Market Gala was allotted and issued to Mr. Ko. On 29 December 2016, as part of the Reorganisation, Mr. Ko transferred one share of Market Gala to Metro Vanguard at a consideration of US$1.00. On 15 February 2017, our Company acquired one share in Market Gala from Metro Vanguard at a consideration of and in exchange for the allotment and issuance of 99 shares of US$1.00 each by our Company to Metro Vanguard credited as fully paid. Upon completion of the aforesaid transfer, Market Gala became a wholly owned subsidiary of our Company.

Market Gala has been an investment holding company since its incorporation.

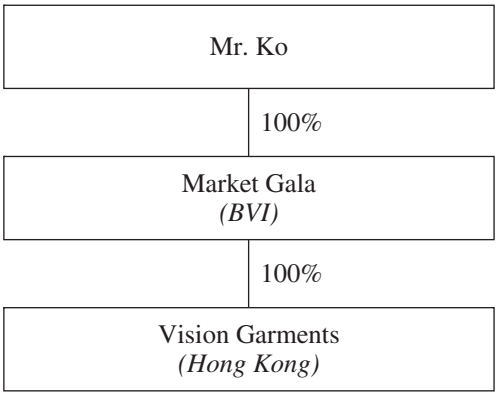
Our Company

On 19 January 2017, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability, with an authorised share capital of US$50,000.00 divided into 50,000 shares of US$1.00 each. On the same day, one fully paid share was allotted and issued at par to the initial subscriber, an Independent Third Party, and transferred to Metro Vanguard at a consideration of US$1.00. On 15 February 2017, 99 shares of US$1.00 each were allocated and issued to Metro Vanguard credited as fully paid as the consideration for our Company's acquisition of the entire issued share capital of Market Gala from Metro Vanguard. As such, our Company became the holding company of our Group. On 23 June 2017, our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance.

Our Company has been an investment holding company since its incorporation.

CORPORATE STRUCTURE PRIOR TO THE REORGANISATION

The following chart shows the shareholding and corporate structure of our Group immediately before the Reorganisation, the [REDACTED] and the [REDACTED].



REORGANISATION

The companies comprising our Group underwent the Reorganisation in preparation for the [REDACTED], pursuant to which our Company became the holding company of our Group. The Reorganisation involved the following steps.

Incorporation of Metro Vanguard

On 28 November 2016, as part of the Reorganisation, Metro Vanguard was incorporated in BVI with limited liability with an authorised share capital of US$50,000.00 divided into 50,000 shares of US$1.00 each. On 19 December 2016, Metro Vanguard allotted and issued one fully paid share to Mr. Ko for cash at par value. On 29 December 2016, 99 fully paid shares of Metro Vanguard were further allotted and issued to Mr. Ko at par value.

Acquisition of the Entire Issued Share Capital of Market Gala by Metro Vanguard

On 29 December 2016, as part of the Reorganisation, Metro Vanguard acquired one share of Market Gala (being the entire issued share capital) from Mr. Ko at a consideration of US$1.00.

Acquisition of the Entire Issued Share Capital of Market Gala by our Company

On 15 February 2017, as part of the Reorganisation, our Company acquired one share (being the entire issued share capital) of Market Gala from Metro Vanguard at a consideration of and in exchange for the allotment and issuance of 99 shares of US$1.00 each by our Company to Metro Vanguard, all credited as fully paid.

Re-denomination of the Share Capital of our Company

On 7 July 2017, the authorised share capital of our Company was re-denominated into HK$380,000, divided into 38,000,000 Shares of HK$0.01 each. Upon completion of the re-denomination, Metro Vanguard held 100 Shares of HK$0.01 each, being the entire issued share capital of our Company. For further details, please refer to the section headed "Statutory and General Information — A. Further Information About Our Group — 2. Changes in Share Capital of Our Company" in Appendix IV to this document.

Each step of the Reorganisation was properly and legally completed and settled and no approval is required from the relevant regulatory authorities.

The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before completion of the [REDACTED] and the [REDACTED]:

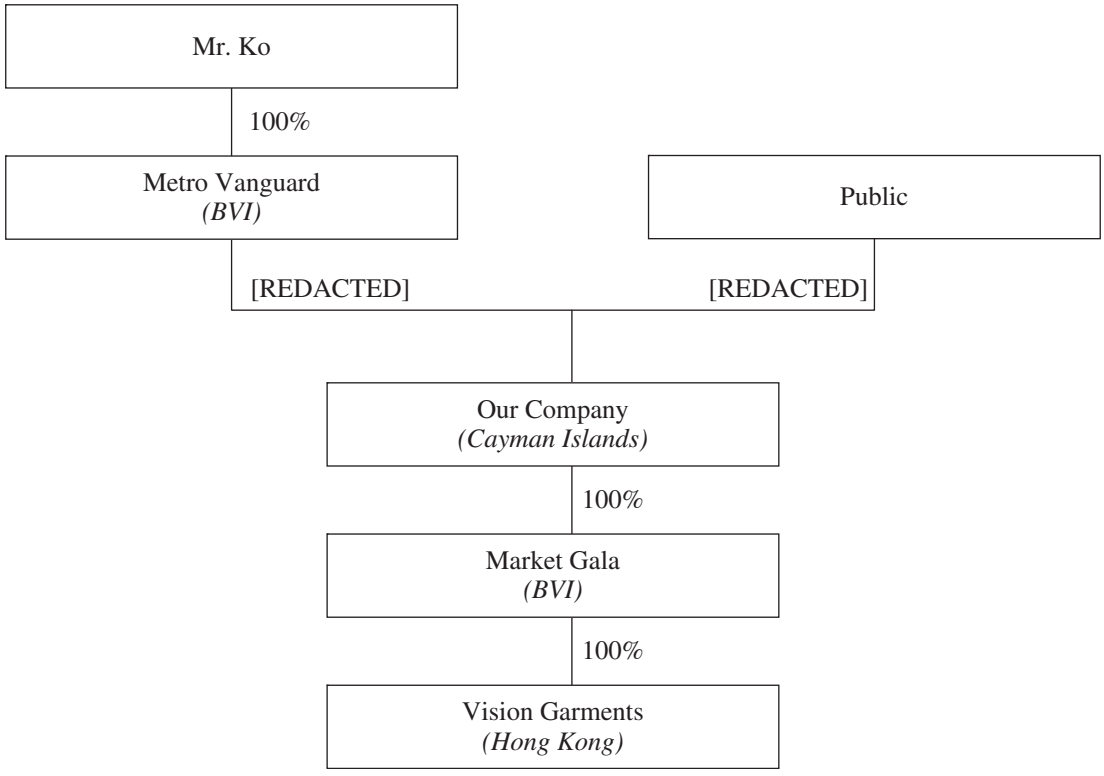
INCREASE OF AUTHORISED SHARE CAPITAL OF OUR COMPANY AND [REDACTED]

On 16 April 2018, the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each by the creation of additional 9,962,000,000 Shares of HK$0.01 each to rank pari passu

in all respects with the existing Shares. Conditional upon the share premium account of our Company being credited with the proceeds from the allotment and issue of [REDACTED] new [REDACTED] under the [REDACTED], a sum of HK$[REDACTED] standing to the credit of the share premium account will be capitalised and applied in paying up in full at par [REDACTED] Shares to Metro Vanguard.

CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE [REDACTED] AND THE [REDACTED]

The following diagram shows the shareholding and corporate structure of our Group immediately upon completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the Share Option Scheme):



OVERVIEW

We are an apparel SCM services provider based in Hong Kong delivering one-stop solution to customers in Europe, predominantly Germany. According to the CIC Report, we are among approximately 100 specialised full-service apparel SCM companies which have the capacity to provide comprehensive apparel SCM services to customers. We have developed a vertically integrated business model and our services range across market trend analysis, product design and development, sourcing of suppliers, production management, logistics services and quality control. Through engaging us for apparel SCM services, our customers are able to focus their resources on their retail businesses and respond quickly to the fast-evolving changes of fashion industry, as they do not have to separately engage different suppliers for various types of services throughout the apparel supply chain.

We have fostered a strong long-term partnership with most of our key customers which consist of large department stores and boutique shops offering fashion brands, as well as apparel sourcing agents. Our five largest customers during the Track Record Period include two of the large scale German department stores: one of them was established in 1907, with over 60,000 square meters of gross floor area, and has over 50,000 customers daily; and the other one was established in 1911, with its stores operating across 18 cities in Germany and five other European countries. Our five largest customers during the Track Record Period also include one boutique shop with 60 stores across Germany. During the years ended 31 December 2015, 2016 and 2017, Germany was our key market and accounted for 92.7%, 100% and 90.2% of our total revenue for the same period, respectively. As at the Latest Practicable Date, we maintained business relationships with our five largest customers during the Track Record Period which ranged from two to seven years. With our proven record of service quality as well as our industry understanding and product know-how, we believe we have developed our reputation among customers in local apparel retail markets across Germany. We plan to further increase our geographic footprint to new apparel retail markets. According to the CIC Report, the apparel retail markets in Germany, France and Hong Kong where we have newly expanded our business into and diversify our customer base are expected to reach EUR67.0 billion, EUR36.4 billion and HK$52.5 billion in 2020, respectively. In 2017, we expanded into the French and Hong Kong apparel retail markets and derived sales from Rodier, ZAPA and Sidefame Limited.

To focus our time and resources on provision of apparel SCM services, we outsource the manufacturing of all apparel products ordered by our customers to our suppliers in the PRC, Madagascar and Cambodia. We have a thorough understanding of the manufacturing capabilities of suppliers in the PRC, Madagascar and Cambodia. With our well-connected network of suppliers, we can select suppliers to meet our customers' demands as to budgets, design specifications and manufacturing techniques. We are also able to monitor closely the overall production processes of these suppliers. Based on our production management, including monitoring production schedules and evaluating the performance of our suppliers, we can ensure that our customers' orders are completed in accordance with relevant production schedules.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths enable us to compete effectively in the apparel SCM industry:

Our vertically integrated business model has enabled us to provide one-stop apparel SCM services

We provide one-stop apparel SCM solutions to our customers. We have developed a vertically integrated business model and our services range across market trend analysis, product design and development, sourcing of suppliers, production management, logistics services and quality control. Over the years, we have accumulated in-depth understanding of our customers' needs and requirements as to apparel designs and manufacturing techniques. Leveraging our knowledge and expertise, we analyse the latest fashion trends and translate fashion concepts into new design. Through communications with our customers, we develop and design the apparel products ordered by our customers that meet their needs and requirements. With a well-connected network of suppliers, we can select suppliers based on our customers' demands as to budgets, design specifications and manufacturing techniques. We are also able to monitor closely the overall production processes of these suppliers. We perform quality inspections to ensure the overall quality of apparel products. The final products are then delivered to our customers' designated ports and/or warehouses. Through engaging us for apparel SCM services, our customers are able to focus their resources on their retail businesses and respond quickly to the fast-evolving changes of fashion industry, as they do not have to separately engage different suppliers for various types of services throughout the apparel supply chain.

We have maintained strong business relationships with customers in European apparel retail markets

We have developed an established customer base in local apparel retail markets in Europe, predominantly Germany. In 2017, we expanded into the French and Hong Kong apparel retail markets and derived sales from Rodier, ZAPA and Sidefame Limited. We have established strong business relationships with large department stores and boutique shops offering fashion brands, as well as apparel sourcing agents in Germany. Our five largest customers during the Track Record Period include two of the large scale German department stores: one of them was established in 1907, with over 60,000 square meters of gross floor area, and has over 50,000 customers daily; and the other one was established in 1911, with its stores operating across 18 cities in Germany and five other European countries. Our five largest customers during the Track Record Period also include a boutique shop with 60 stores across Germany. Over the years, we work closely with our customers on product designs and deliver quality apparel products to meet their particular demands. With our proven record of service quality as well as our industry understanding and product know-how, we believe we have developed our reputation among customers in local apparel retail markets across Germany. As at the Latest Practicable Date, we maintained business relationships with our five largest customers during the Track Record Period ranging from two to seven years. We believe the collaboration with large, reputable department stores and boutique shops over the years have proven our track record in providing middle to high-end apparel products in the European market.

We have established a well-connected network of suppliers to manufacture apparel products in accordance with customers' demands

With our extensive experience and profound knowledge in the apparel SCM industry, we have a thorough understanding of the manufacturing capabilities of suppliers in the PRC, Madagascar and Cambodia. Suppliers in different countries and regions of the PRC have their own competitive strengths. For example, suppliers in the southern region of the PRC are often equipped with advanced manufacturing equipment and have capacity to manufacture a wide variety of apparel products. Suppliers in the central and northern regions of the PRC are in close proximity to raw material providers and thereby are able to manufacture apparel products at lower costs. Madagascar supplier enjoys quota-free and duty-free access to the European apparel retail markets and has shorter transportation distance and lead time to these markets as compared to the PRC suppliers. For our suppliers in Madagascar and Cambodia, the costs of manufacturing apparel products are more competitive due to the lower labour costs in Madagascar and Cambodia, and the exemption of import duty for exporting apparel products from Madagascar and Cambodia to Europe.

During the Track Record Period and up to the Latest Practicable Date, we arranged third-party suppliers in the PRC, Madagascar and Cambodia to manufacture all the apparel products ordered by our customers. With our well-connected network of suppliers, we can select suppliers based on our customers' demands as to budgets, design specifications and manufacturing techniques. We are also able to monitor closely the overall production processes of these suppliers. Furthermore, based on our production management, including monitoring production schedules and evaluating our suppliers' performance, we can ensure that our customers' orders are completed in accordance with relevant production schedules. In addition, should there be any increase in the number of orders from customers, we are able to allocate orders to suitable suppliers within our network for timely production and delivery.

Our management team has extensive experience and in-depth knowledge in provision of apparel SCM services

With the extensive experience and in-depth knowledge in the apparel SCM service, our management team has the capability of formulating sound business strategies, assessing and managing risks, anticipating and taking appropriate actions in response to changes in the fashion industry, and capturing profitable market opportunities. Our management team is led by Mr. Ko, an executive Director who has over eight years of management and operating experience in the apparel SCM service industry and is responsible for our overall management, business planning and major decision-making. Moreover, our chief executive officer and executive Director, Mr. Morris Ko, who has gained extensive knowledge in the European apparel retail markets and kept abreast of the latest fashion trends and styles in the apparel industry, is responsible for leading our sales and sourcing team and sourcing suppliers with strong manufacturing capabilities. Other members of our senior management team include Ms. Lam Hau Chu (林巧珠) and Ms. Lo Wai Han (盧慧嫻). Ms. Lam is the head of our product design and development team and has 29 years of experience in the apparel industry. Ms. Lo is the head of our quality control team and has over 25 years of experience in the apparel industry. Please refer to the section headed "Directors and Senior Management" in this document for further details of our Directors and senior management team. We believe our management team possesses the leadership, commitment and expertise to

manage our business efficiently to achieve long-term sustainable growth and we believe that under our management's visionary leadership, our revenue will continue to grow and our business will continue to flourish.

OUR BUSINESS STRATEGIES

With our objective of becoming a key market player in the Hong Kong apparel SCM industry, we plan to leverage on our competitive strengths to enhance our overall competitiveness and drive our future sustainable growth:

Continue our growth by solidifying our relationship with existing customers and exploring new customers

During the Track Record Period, most of our customers were predominantly in Germany. Sales to customers in Germany amounted to 92.7%, 100.0% and 90.2% of our revenue for the years ended 31 December 2015, 2016 and 2017, respectively. Our Directors believe that we have developed our reputation among customers in apparel markets across Germany and an established customer base in Germany. Notwithstanding the new customers we developed in Hong Kong and France in 2017, German apparel retail market will continue to be our major market in the near future. We intend to build on our success in the German market and continue to exploit new opportunities with both existing and new customers in Germany.

During the Track Record Period, we did not actively conduct marketing or advertising activity to attract new customers. We secured orders from new customers mainly through referrals. With a view to solidifying our relationships with existing customers and exploiting new opportunities with new customers, we aim to increase the frequency of our visits and contact with existing new customers for maintaining closer relationships and responding promptly to their latest budget and design requirements and preferences. In addition, we plan to proactively approach potential customers through business referrals, and through participating in more trade fairs to increase our recognition in the Hong Kong apparel SCM industry. We intend to utilise HK$[REDACTED] million of our [REDACTED] from the [REDACTED] in participation of more trade fairs, including setting up booths for display of our design collections and product offerings, as well as travelling and visiting our customers. Please refer to the section headed "Statement of Business Objectives and [REDACTED]" in this document for further details.

Collaborating with our efforts in strengthening our design and development capabilities, we will continue to develop our design collections which meet our customers' needs and capture market opportunities through these marketing and communication activities.

Increase our geographic footprint to new apparel retail markets

While we envision that in the near future, the German apparel retail market will continue to be our major market, we also seek to expand the international exposure of our SCM services. In doing so, we strive to replicate our business model in new apparel retail markets in Europe and Asia.

According to the CIC Report, the apparel retail markets in Germany, France and Hong Kong where we have diversified our customer base are expected to grow steadily reaching EUR67.0 billion, EUR36.4 billion and HK$52.5 billion in 2020, respectively. Our Directors are of the view that the apparel retail market in Europe and Hong Kong provides unlimited opportunities for our Group to further develop our customers. During the year ended 31 December 2017, we have entered into business relationship with and derived sales from Rodier, Sidefame Limited and ZAPA. We believe that greater geographic representation in France, Hong Kong and other new apparel retail markets will form a key component of our future growth.

Set up a new showroom to showcase our product offerings

According to the CIC Report, a well decorated and inspiring showroom is a great marketing tool for an apparel SCM company, for business development and brand image. Past successful designs and current new designs being displayed in a showroom are the visual and compelling testaments to our strengths in apparel design and development.

We shared a showroom in Hong Kong from Meridian, our related party, under the Management Arrangement with Meridian to display our latest design collections. Please refer to the paragraph headed "Employees" in this section for details about the Management Arrangement. The showroom has served as a channel for customer relationship management, as it facilitates face-to-face meetings with customers, allows our customers to check out our latest design collections and significantly enhance customer experience with us. Since March 2017, we have used our office tentatively to conduct meetings and display our product samples to customers.

Our Directors believe that a permanent showroom will give more confidence to our customers and strengthen our corporate image. In this regard, we intend to acquire a premises in Hong Kong to set up our new showroom. Our Directors consider that it would be more beneficial for us to acquire, rather than leasing a premises for our showroom, as it eliminates the risk of spending excessive decoration, renovation and relocation costs in case of early termination or non-renewal of the tenancy agreements by the landlord. Instead, it gives us the liberty to renovate and decorate our showroom to better display our design collections. Hong Kong would be a more suitable location for our showroom as compared to our target apparel retail markets in Europe such as Germany and France, due to the following reasons:

(i) after the termination of the Management Arrangement since 1 January 2017, we met our customers in their office or in our office for the purpose of presenting our product samples; our Directors believe that a stable and sizeable showroom in Hong Kong with our latest as well as archived in-house design collections displayed therein would present a more positive image in relation to our operation scale and enhance customers' confidence in our apparel SCM services;

(ii) as we intend to continue increasing our geographic footprint to new apparel retail markets such as Hong Kong in the future, setting up a showroom in Hong Kong can attract more potential customers;

(iii) setting up our showroom in Hong Kong is more cost-effective, compared to setting up a showroom in Germany or France since (a) our headquarters, including our management, our design and development team, and our sales and sourcing team, are based in Hong

Kong; (b) our Group enjoys lower profit tax rates and a simpler tax regime in Hong Kong since the physical presence of the showroom in Germany or France may be deemed as permanent establishment in these countries by the relevant tax authorities and may cause the sales of apparel products and profit made through marketing activities held at the showroom chargeable to profit tax and/or other taxes, the rates of which in Germany and France are higher as compared to the tax rate in Hong Kong; and (c) the maintenance costs for operating a showroom in Hong Kong is lower than that for operating a showroom in Germany or France; and

(iv) Hong Kong is closer to the production bases of PRC apparel manufacturers, and setting up our showroom in Hong Kong would enable us, as well as our customers in some cases, to better monitor our suppliers in the PRC.

Our Directors estimate that the annual depreciation charges of the building, leasehold improvement and furniture, fixture and equipment and interest expense for owning our own property to be HK$1.7 million, while the annual rental expenses and depreciation charges of leasehold improvement and furniture, fixture and equipment are estimated to be HK$2.1 million for renting a similar property. Accordingly, our Directors are of the view that the acquisition of a showroom could lower our operating costs as compared to leasing the premises.

Our main consideration of a suitable showroom would be its size and location. After the [REDACTED], we intend to set up a new showroom by acquiring a premises located around Kowloon, Hong Kong with approximately 3,000 to 4,000 sq.ft. with a budget of not more than HK$35.0 million. As at the Latest Practicable Date, we had not identified any appropriate targets, nor had entered into any provisional or formal sale and purchase agreement for acquiring a premises for our showroom. We intend to use HK$[REDACTED] million of our [REDACTED] from the [REDACTED] in the setting-up and decoration of the new showroom, and the remaining portion of the costs will be financed through internal resources and/or bank borrowings. Please refer to the section headed "Statement of Business Objectives and [REDACTED]" in this document for further details.

Strengthen our design and development capabilities to develop new design collections

We consider our ability to develop our in-house design according to the latest fashion trends, styles and industry know-how a key factor in our business. Our design and development team, with the assistance of our design consultants, conducts market trend analysis on the latest fashion trends, styles and industry know-how, as well as develops our customised design collections based on customers' requirements.

To further enhance our design and development capabilities, we intend to expand our design and development team to strengthen our overall design and development capabilities. We intend to recruit two in-house designers who will be based in Hong Kong to enhance our existing styles of designs and develop new design collections to cater for our customers' needs. Our Directors believe that our new recruitments will allow us to respond promptly to the latest fashion trends and develop a more attractive and diversified product portfolio for our customers. We also intend to continue the engagements with our existing design consultants to leverage their local knowledge, experiences and reputation in the fashion industry and assist in building our design and development team. We intend to utilise HK$[REDACTED] million of our [REDACTED] from the [REDACTED] in recruitment of in-house designers.

Based on our enlarged design collections, we also plan to expand our variety of sample products for our design collections to be displayed in our new showroom to illustrate our latest design concepts to our customers, thereby attracting more customers and enabling us to secure new sales orders. We intend to utilise HK$[REDACTED] million of our [REDACTED] from the [REDACTED] in the expansion of our variety of sample products.

Enhance our quality control process

We maintain a quality control programme covering selection of suppliers, use of raw materials and production process with the view to ensuring the overall quality of the apparel products. We consider our quality control measures one of the key apparel SCM services which contribute to our ability to maintain strong business relationships with our customers and our long-term business success.

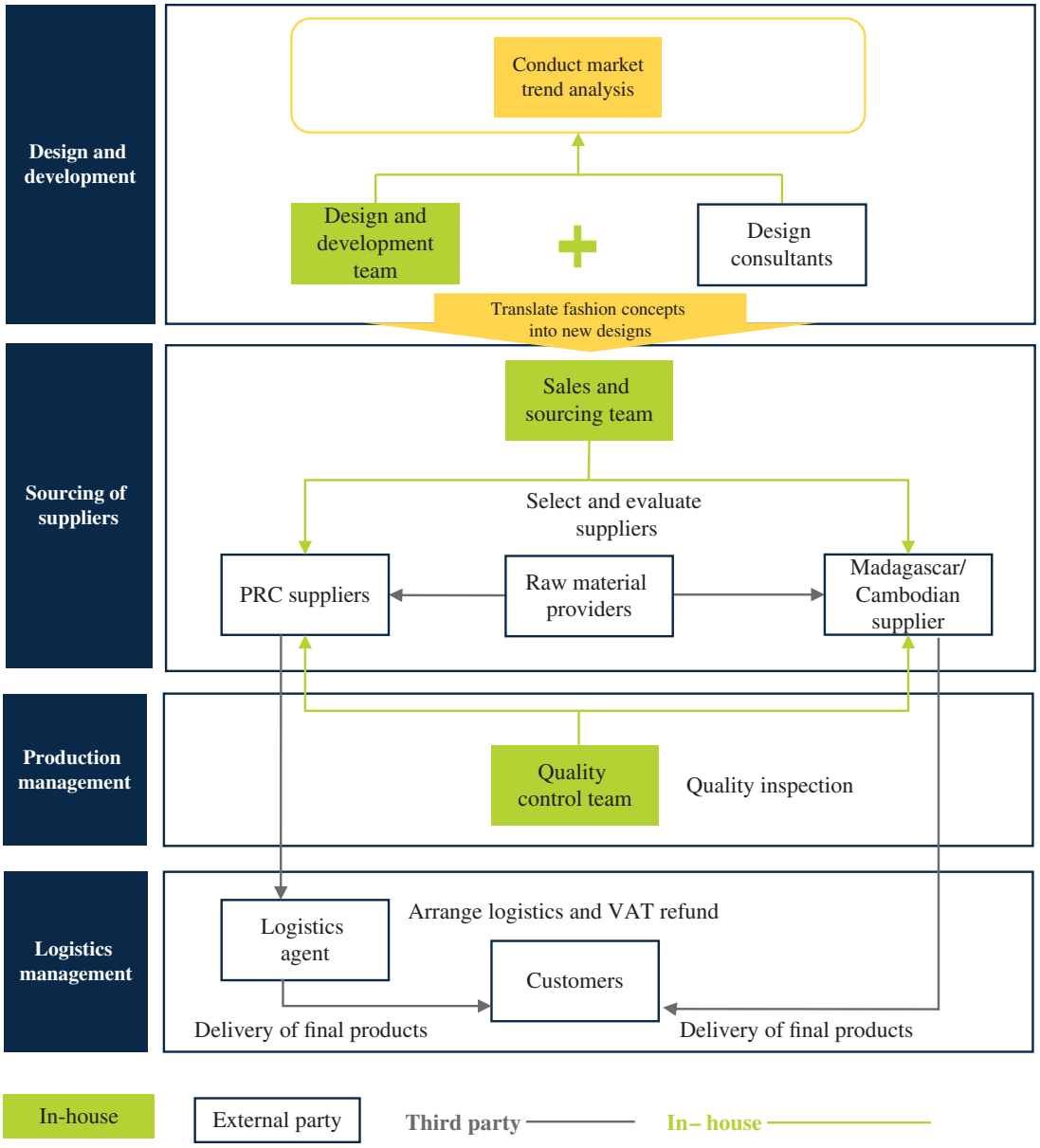
We intend to continue to enhance our quality control process by allocating more resources towards the monitoring of the production process. We intend to utilise HK$[REDACTED] million of our [REDACTED] from the [REDACTED] in this connection. Our efforts will be focused on increasing the frequency of on-site quality inspections by our quality control team. Other quality control measures on the production process may be introduced in accordance with our future business needs.

Please refer to the section headed "Statement of Business Objectives and [REDACTED]" in this document for further details on relevant timeframes and estimated amounts to be spent for the implementation of the above business strategies.

OUR BUSINESS

We are an apparel SCM service provider for large department stores, boutique shops and apparel sourcing agents in Europe predominantly Germany accommodating the needs of our customers along the apparel supply chain. Our customers order a wide variety of middle to high-end apparel products with modern classic designs from us. We are focused on providing apparel SCM services which mainly consist of the following: (i) design and development; (ii) sourcing of suppliers; (iii) production management; (iv) logistics management; and (v) quality control. During the Track Record Period, we have not adopted any change in our business focus.

The following diagram illustrates the operation flow for our apparel SCM services:



Design and Development

Our design and development team is responsible for conducting market trend analysis, having meetings with customers and developing customised product designs based on customers' requirements. Ms. Lam Hau Chu (林巧珠), who has 29 years of experience in the apparel industry, leads our design and development team. Please refer to the section headed "Directors and Senior Management — Senior Management" in this document for her detailed background and experience.

Market Trend Analysis

Our design and development team conducts market trend analysis on fashion magazines and websites, as well as keep updated with the latest fashion trends, styles and industry know-how. Our research process includes conducting research and making observation of the latest fashion trends, and keeping abreast of the latest trends and developments in new designs and types of fabric, primarily through our sales information in relation to target end user purchasing patterns. We meet our customers, including middle to high-end boutique shops, department stores, as well as apparel sourcing agents on a regular basis, to understand their requirements as to budgets and design preferences.

Product Design and Development

Based on the results of our market trend analysis, our design and development team translates our fashion concepts into new designs. We communicate with our customers from time to time to obtain an understanding of their needs and specific requirements such as product designs, quantities, delivery time and target prices of the apparel products. At the start of each fashion season, we meet our customers to discuss our trend analysis and understand their budget and style preferences. Based on our communications with the customers, our design and development team, with the assistance of our design consultants, produces our design collections and arranges our suppliers to manufacture product samples for our customers' consideration. We may also develop customised product designs for our customers. We prepare the relevant product samples and provide preliminary quotations for the collections of apparel designs.

We own the intellectual property rights of all the designs we developed as well as those provided to us by our design consultants. To protect our intellectual property rights, we require all members of our design and development team and our design consultants to keep confidential of all information relating to our apparel designs. We review each final product design at the end of the product design and development process to prevent the infringement of third party intellectual property rights. Please refer to the paragraph headed "— Intellectual Property Rights — Measures for Protection of Intellectual Property Rights" in this section for further details of the measures taken by us to avoid infringing third-party intellectual property rights. To the best knowledge of our Directors, during the Track Record Period, none of our apparel product design infringed any third party intellectual property right.

We finalise the details of sales orders with our customers which include quantities, prices, brands to be labelled on the apparel products and other specifications of apparel products, as well as the delivery date and destination of sales order, once they are satisfied with the sample products.

Our Design Consultants

To strengthen our design capabilities and to develop products which suit local end consumers' tastes and preferences in Europe, we engage experienced external design consultants in Germany to provide assistance to our design and development team. Our design and development team, with the assistance from our design consultants, is able to leverage these consultants' local knowledge, experiences and reputation in the fashion industry so as to respond to the latest fashion trends, to develop design collections and to offer a more attractive product portfolio to our customers.

As at the Latest Practicable Date, we had engaged three design consultants. All of them were Independent Third Parties. Our design consultants advise us on matters such as our design collections, seasonal trends, themes, colour schemes and materials to be used for the apparel products. They also facilitate our initial contacts with potential customers. Before each fashion season, our design consultants help us formulate our design concepts with respect to the style, preferred fibre quality, knitting patterns and technologies involved. In addition, they provide comments on our product samples, as well as assist us in determining styles, crafting and materials used in our final products, where necessary.

We paid our external design consultants a fixed fee and an incentive fee based on a percentage of our total sales when actual sales exceed our sales target of the year. The design fee is determined based on negotiations, taking into account the experiences, professional capabilities as well as quality of designs and services offered by design consultants. For the years ended 31 December 2015, 2016 and 2017, design fees incurred were HK$3.2 million, HK$0.5 million and HK$0.5 million, respectively.

Sourcing of Suppliers

We engage our suppliers in the PRC, Madagascar and Cambodia to manufacture apparel products in accordance with our customers' orders. We do not own any manufacturing operation. For the years ended 31 December 2015, 2016 and 2017, we engaged 16, nine and 14 suppliers. Other than one supplier in each of Madagascar and Cambodia, all our suppliers are located in the PRC. Please refer to the paragraph headed " — Our Suppliers — Salient Terms of Our Purchase Transactions" in this section for further details on our suppliers.

Our sales and sourcing team is responsible for the overall production management including selecting and engaging suppliers for manufacturing of apparel products. Mr. Morris Ko is the head of our sales and sourcing team. Please refer to the section headed "Directors and Senior Management — Directors — Executive Directors" in this document for his detailed background and experience. The suppliers transport finished products directly to our customers.

Production Management

We provide production management services including, among other things, monitoring production schedules and evaluating our suppliers' performance. We place relevant production orders with suppliers based on our customers' product specifications. We also require our suppliers to prepare the production schedules in advance for our review. During the production process, we monitor the performance of suppliers by conducting random checks on raw materials and semi-finished products for quality control purpose. We also keep close contact with suppliers and monitor production schedules regularly to ensure that they are able to meet the delivery schedule of the finished products.

We perform on-site quality inspections during the production process using different inspection methods. Please refer to the paragraph headed "— Quality Control" in this section for further details of our quality control measures.

During the Track Record Period, the lead time between the placing of production orders by us and the final product delivery by suppliers was approximately three months. The actual lead time depends on a number of factors, such as quantity of an order, complexity of product design, availability of required raw materials, and required delivery time.

Logistics Management

Most of the finished products are delivered to our customers on DDP terms, whereas the other finished products are delivered on FOB terms in accordance with customers' sales orders as well as the production orders entered into between our Group and suppliers. We do not bear any risk for damage to finished products after such products have reached customers' designated ports and/or warehouses.

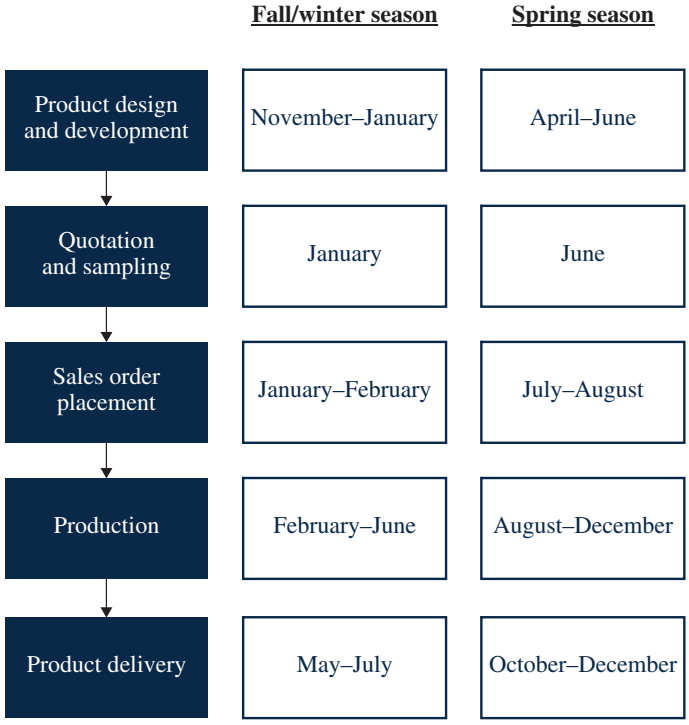
PRC Suppliers

We engage logistics service providers, which are Independent Third Parties, for the delivery of finished products from the PRC to ports and/or warehouses specified by customers. We also engage an agent, which is an Independent Third Party, for custom clearance, VAT refund applications, settlement of the purchase cost of the finished products as well as other administrative matters between PRC suppliers and logistics service providers. We pay our logistics agent the total amount which includes the purchase cost of finished products and the fee charged by the agent for its logistics management services. The agent settles the purchase cost of finished products directly with our PRC suppliers, with the remaining balance as payment for its fee.

Madagascar and Cambodian Suppliers

Our Madagascar and Cambodian suppliers make custom clearance and logistics arrangement themselves to deliver the finished products to the ports of Madagascar or Cambodia, as the case may be, before they are shipped or delivered to the designated ports or warehouse specified by our customers.

The following chart sets out the timelines of our key processes for fall/winter and spring seasons:



SALES AND CUSTOMER SERVICES

We focus on maintaining business relationships with our existing customers through various means. During the Track Record Period, we did not actively conduct promotional or advertising activities to attract new customers. We secure orders from new customers mainly through referrals. We believe that this approach has served us well since our inception. Please refer to the paragraph headed "— Our Customers" in this section for further details.

We also engage Task, an Independent Third Party, as external consultant to enhance our ability to handle customer enquiries and follow up with customers on product deliveries. For the years ended 31 December 2015, 2016 and 2017, the fees we paid to Task for customer services amounted to HK$0.8 million, HK$0.8 million and HK$1.8 million, respectively, which were calculated based on the gross amount of all sales derived from existing customers designated to be handled by Task in Germany. In addition to its role as external consultant for customer services, Task was also our largest customer for the year ended 31 December 2015. Please refer to the paragraphs headed "— Our Customers — Our Major Customers" and "— Our Customers — Development of Our Business — A. Our Relationship with Task and the Acquisition of Trademarks under the Brands" in this section for further details. Despite the fact that Task ceased to be our customer in 2016, we continued engaging Task to provide services to our customers, for the following reasons: (i) as Task is based within the same time zone as, and has staff who can communicate with, our German customers, Task is able to work closely with our customers, respond to their enquiries promptly, ensure the high level of service quality and maintain good relationships with them; (ii) Task had obtained experience in assisting us serving our customers since 2012 and therefore has an understanding and knowledge of our customers' requirements; and (iii) based on customers' feedback and our own historical experience with Task, we have been satisfied with Task's services. Our Directors are of the view that by engaging Task to assist us to handle customer

services in Germany, we can save the time and cost of establishing a customer services center in Germany. We did not enter into any written agreement with Task for such engagement. Set out below are the salient terms of our arrangement with Task in relation to the customer services they have provided:

- *Responsibilities.* The major roles and responsibilities of Task are mainly administration and coordination functions which include preparing sales information, assisting us in organising sales meetings in Germany, providing clerical support during our sales meetings, reporting back to us and further handling customer queries such as product delivery and product specifications, as well as customer feedbacks and complaints.

- *Payment terms.* We settle commission payable to Task directly with Task by wire transfer. We are offered a credit period of 30 days.

- *Duration and termination.* The service arrangement between our Group and Task has no fixed term and either party may give written notice to the other party to terminate such arrangement.

- *Commission.* Task is entitled to a commission ranging from 2% to 5% on the gross amount of all sales derived from our existing customers designated to be handled by Task in Germany (excluding Customer F which is our largest customer for the year ended 31 December 2017 as we handled this customer by ourselves).

All the details of sales transactions, including products, price, quantity, payment term and delivery are to be agreed and confirmed between us and customers directly, and without our prior approval, Task has no authority to accept, amend or cancel any sales order on our behalf.

QUALITY CONTROL

We maintain a quality control programme for the apparel products throughout the production process manufactured by our suppliers, with the view to ensuring the overall quality of the apparel products. As at the Latest Practicable Date, Ms. Lo Wai Han, our quality control manager who has over 25 years of experience in the field of quality control for apparel production, had been in charge of the quality control aspects of our operations. Please refer to the section headed "Directors and Senior Management — Senior Management" in this document for further details.

We have implemented procedures to evaluate new suppliers and monitor the on-going performance of suppliers. We regularly select and evaluate our suppliers, based on a number of factors including technical capability, manufacturing capacity, quality, reputation, timely delivery, pricing, costs and payment terms. We further evaluate such suppliers' performance through our inspections on apparel products. We follow up closely with our suppliers on production and delivery schedules in order to ensure that the finished products can be delivered in accordance with our customers' requirements.

Our quality control team performs on-site inspections on the raw materials to be used on the apparel products and semi-finished products to ensure they meet the relevant specifications. In addition, our quality control team inspects and performs laboratory tests on the raw materials in accordance with the local and international standards, where necessary. Our quality control team reviews such test results and decides whether the raw materials meet our quality requirements.

We carry out inspections on the apparel products ordered by our customers during the production process using different inspection methods. Before the packaging and delivery of finished products to customers, we perform on-site quality inspections to ensure that all finished products comply strictly with customers' requirements and our internal standards. If any defect is found in the finished products, we require the suppliers to rectify the defects at no additional cost and subsequently re-examine the reprocessed products. After passing the final inspection, all finished products are packed for delivery.

PRODUCTS

During the Track Record Period, the apparel products ordered by our customers comprised a wide variety of middle to high-end knitwear products, T-shirts and woven products in modern classic designs. Such apparel products are targeted at middle to high-end sectors in the apparel markets. The following table sets out a breakdown of our revenue by product category for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	HK$'000	*% of total revenue*	*HK$'000*	*% of total revenue*	*HK$'000*	*% of total revenue*
Knitwear products	82,113	74.1	39,385	85.6	66,191	92.7
T-shirts	13,282	12.0	3,504	7.6	2,371	3.3
Woven products	15,444	13.9	3,127	6.8	2,837	4.0
	110,839	100.0	46,016	100.0	71,399	100.0

The table below sets forth the sales volume and our average selling price of apparel products for the years indicated:

	Year ended 31 December		
	2015	2016	2017
Knitwear products			
Sales volume (number of pieces '000)	190.9	108.8	286.1
Average selling price *(HK$/piece)*	430.1	362.0	231.4
T-shirts			
Sales volume (number of pieces '000)	66.7	16.9	14.4
Average selling price *(HK$/piece)*	199.1	207.3	164.7
Woven products			
Sales volume (number of pieces '000)	58.5	10.5	10.6
Average selling price *(HK$/piece)*	264.0	297.8	267.6

The apparel products that we sold to our customers comprised a variety of middle to high-end apparel products. According to the CIC Report, mid-end apparels have an average retail price of US$30–US$200 per piece, while high-end apparels have an average retail price of over US$200 per piece.

Please refer to the section headed "Financial Information — Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income" in this document for further details.

Representative Samples

The following pictures illustrate representative samples of the apparel products delivered to our customers:

Knitwear Products

Woven Products

T-shirts

PRICING POLICY

We price our apparel products based on the following factors: (i) the estimated retail price of such apparel products, after taking into account the retail prices of similar apparel products in the market; (ii) volume of orders and timing of delivery; (iii) estimated cost of such apparel products based on fee quotations received from our suppliers; (iv) estimated mark-up margins we charge; and (v) estimated effect of relevant foreign exchange rates due to market conditions.

After we confirm the product designs and specifications with a customer, we estimate the retail price of apparel products after taking into account the retail prices of similar apparel products in the apparel retail markets, and set our selling price which is determined at a discount to the estimated retail price. Our selling price to our customers usually range from 25.0% to 35.0% of the estimated retail price. Retail prices of similar apparel products is one of the key factors to our pricing policy. We will also adjust our selling price with reference to the factors as described above. We, however, have no control over the retail prices of similar apparel products in the market. Due to the nature of knitwear products, especially cashmere products, the retail selling prices are generally higher, as compared to those of other apparel products. Despite we have no control over the retail prices of similar apparel products in the market, the retail prices of knitwear products are relatively stable, and in order to maximize our profitability, we set the selling prices at a discount to the estimated retail prices of similar apparel products. We then place production orders to our suppliers and request them to manufacture product samples. We provide our final selling price of apparel products to our customers when our customers indicate interest in placing orders with us, after seeing the product samples. Once we provide the final selling price to our customers, no adjustment is allowed to be made to such price.

PRODUCT RETURN POLICY

The apparel products ordered by our customers are subject to final inspections before delivery to ensure they conform with our specifications and quality requirements. We do not have a product return policy. However, we may return products due to quality issues or require our suppliers to rectify any defects our customers identified after delivery of the products. In the event that issues relating to product return arises, we follow up closely with our customers on any claims or requests for product return, payment refund, rectification or price discount, and may enter into negotiations with our customers to resolve the issue on a case by case basis. During the Track Record Period and up to the Latest Practicable Date, there had been no material claims against us in relation to defective products and there had not been any material product returns from customers.

OUR CUSTOMERS

Our customers during the Track Record Period were based in Europe and Hong Kong, predominantly Germany. Our customers consist of large department stores, boutique shops and apparel sourcing agents. For the years ended 31 December 2015, 2016 and 2017, 29, eight and 11 customers placed orders with us, respectively. Our customers are categorised as below:

- *Boutique shop*. Such shops are located across Germany and France and are usually operated by large apparel companies. For the years ended 31 December 2015, 2016 and 2017, we had nil, one and one customer(s) who were boutique shops, among our top five customers, respectively.

- *Department store*. Department stores have been one of the major apparel retail channels. For the years ended 31 December 2015, 2016 and 2017, we had one, two and two customer(s) who were department stores, among our top five customers, respectively.

- *Apparel sourcing agent*. Apparel sourcing agents represent groups of individual retailers or wholesalers, whose products are of similar themes or designs. They group together as a single buying unit to gain stronger bargaining power against their suppliers, help their members reduce their purchase costs and provide value-added services to their members. For example, an apparel sourcing agent's design team may discuss with manufacturers on product designs that can meet its members' specifications, provide product samples for its members to order, and further revise the designs based on its members' requests. Apparel sourcing agents have a strong presence in the German apparel market, as well as other major European markets, in recent years. For the years ended 31 December 2015, 2016 and 2017, we had four, two and two customer(s) who were apparel sourcing agents, among our top five customers, respectively.

The table below sets out our revenue by customer type during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	HK$'000	*% of total revenue*	*HK$'000*	*% of total revenue*	*HK$'000*	*% of total revenue*
Apparel sourcing agent	73,061	65.9%	26,620	57.8%	49,118	68.8%
Boutique shop	17,440	15.7%	9,005	19.6%	12,685	17.8%
Department store	20,338	18.4%	10,391	22.6%	9,596	13.4%
	110,839	100.0%	46,016	100.0%	71,399	100.0%

Salient Terms of Our Sales Transactions

We do not enter into long-term agreements with our customers and our Directors believe that this is in line with common practice in the Hong Kong apparel SCM industry. Sales orders from our customers are placed through our ERP System on a case by case basis.

Set out below are the salient terms of our sales transactions:

- *Product description*. A brief description of the apparel products, including product designs and specifications, materials to be used, colour and size, is specified.

- *Order amount*. The number of pieces for each colour and/or size, unit price and total amount, are specified. We do not impose any minimum purchasing requirement for our customers.

- *Payment terms*. We issue invoices directly to our customers and request our customers to pay on COD term in cash or by wire transfer directly to us, without going through any third party. Sometimes we may request advance deposits from new customers.

- *Delivery*. Delivery method is mainly by sea on DDP or FOB term or by air. Depending on the shipping term, either customers or us bear the cost and risk of finished products.

- *Termination*. We do not allow our customers to terminate sales orders, once such sales orders are placed with us.

During the Track Record Period, our customers were based in Europe, predominantly Germany. We also seek to expand our business in France. Please refer to the subsections headed "Regulatory Overview — Laws and Regulations of Germany", "Regulatory Overview — Laws and Regulations of Hong Kong" and "Regulatory Overview — Laws and Regulations of France" in this document for details on the laws and regulations of Germany, Hong Kong and France which are applicable to our business.

Our Major Customers

During the Track Record Period, our top five customers contributed revenue that accounted for 62.2%, 87.1% and 87.8% of our total revenue, for the years ended 31 December 2015, 2016 and 2017, respectively. Our sales to our largest customer made up 24.5%, 39.4% and 39.2% of our total revenue for the years ended 31 December 2015, 2016 and 2017, respectively. We have maintained business relationships with our top five customers during the Track Record Period which ranged from two to seven years. The table below sets out the details of our top five customers for the years indicated:

Year Ended 31 December 2015

Rank	Customer	Customer type	Length of relationship as at the Latest Practicable Date	Revenue for the year	Percentage of total revenue	Private or public company
			(approximately in years)	*(HK$'000)*		
1	Task	Apparel sourcing agent	4	27,209	24.5%	Private
2	Customer A	Apparel sourcing agent	7	14,605	13.2%	Private
3	Customer B	Apparel sourcing agent	5	10,366	9.4%	Private
4	Customer C	Apparel sourcing agent	5	8,856	8.0%	Private
5	Customer D	Department store	7	7,874	7.1%	Private
				68,910	62.2%	

Year Ended 31 December 2016

Rank	Customer	Customer type	Length of relationship as at the Latest Practicable Date	Revenue for the year	Percentage of total revenue	Private or public company
			(approximately in years)	*(HK$'000)*		
1	Customer A	Apparel sourcing agent	7	18,115	39.4%	Private
2	Customer E	Boutique shop	6	6,844	14.9%	Private
3	Customer D	Department store	7	6,335	13.8%	Private
4	Customer F	Apparel sourcing agent	2	4,704	10.2%	Private
5	Customer G	Department store	4	4,055	8.8%	Subsidiary of a listed company in Thailand
				40,053	87.1%	

Year Ended 31 December 2017

Rank	Customer	Customer type	Length of relationship as at the Latest Practicable Date	Revenue for the year	Percentage of total revenue	Private or public company
			(approximately in years)	*(HK$'000)*		
1	Customer F	Apparel sourcing agent	2	27,959	39.2%	Private
2	Customer A	Apparel sourcing agent	7	20,649	28.9%	Private
3	Customer D	Department store	7	6,500	9.1%	Private
4	Customer E	Boutique shop	6	4,490	6.3%	Private
5	Customer G	Department store	4	3,095	4.3%	Subsidiary of a listed company in Thailand
				62,693	87.8%	

Background of Our Major Customers

Customer A — It is an apparel sourcing agent established in 1935 in Germany. According to its website, it is a company operating 18 stores in over 10 cities in Germany. According to the CIC Report and information available in the public domain, it sells high-end products for women including apparels, shoes, bags and accessories from well-known brands.

Customer B — It is an apparel sourcing agent established in 2008 in Germany. According to the CIC Report, it sells apparel products and accessories for men, women and children. Its main brand is a fashionable brand targeting at the youth and delivers new styles every month with five flagship stores across Germany.

Customer C — It is an apparel sourcing agent established in 2009 in Germany. According to information available in the public domain and the CIC Report, it sells apparel products for men, women, children and infants from brands such as Princess goes Hollywood, Nice Collection and THE MERCER N.Y.

Customer D	It is a large department store established in 1911 in Germany. According to information available in the public domain, it has around 4,000 employees and is a leading fashion company that sells middle to high-end apparel products, shoes and accessories for women, men and children. It has a range of up to 300 different intermediator fashion labels, from high-quality designer collections to new apparel fashion brands, such as Tommy Hilfiger, Marc O'Polo and Marc Cain, according to information available in the public domain. Since the establishment of its first store in Hamburg in 1911, it has expanded to operate 22 stores in 18 cities across Germany as well as 13 stores in five other European countries. Its flagship store and headquarters are located in Hamburg, with a gross floor area of more than 12,000 square meters across six floors. It has also launched its online shop in both Germany and Poland.
Customer E	It is a boutique shop established in 1956 in Germany. According to information available in the public domain, it sells middle to high-end apparel products, shoes and accessories for women and men from a number of reputable brands such as Princess goes Hollywood, Pierre Claire and Allude. It also offers premium shirts and blouses from Italian and German weavers, women's collections of the latest fashion brands, as well as high quality suits, shoes and accessories. Since the establishment of its first store in the East Westphalian Leineweberstadt Bielefeld in 1956, it has expanded to operate 60 stores and has also launched its online shop in Germany.
Customer F	It is an owner of apparel retail brands and apparel sourcing agent established in 1995 in Germany. According to information available in the public domain, it sells middle to high-end cashmere products, including 100% cashmere knitwear products, cashmere accessories, cashmere mixtures and microfibre under brands such as S. Marlon. After the acquisition of the Brands, we started providing products under the Brands to Customer F.
Customer G	It owns and operates the second largest department store in Europe after Harrods in London. According to information available in the public domain, established in 1907 in Germany, it sells cosmetics, apparels and accessories of top-tier international fashion brands, such as Allude, Brunello Cucinelli and Moncler, for women and men, as well as cultural and entertainment products. It also provides beauty and spa services, as well as gourmet food, to customers. According to information available in the public domain, it is a subsidiary of a company listed on the Stock Exchange of Thailand, which is a leading developer and operator of integrated shopping centers. It operates the department store in a major metropolitan area in Berlin. With eight floors and a gross floor area exceeding 60,000 square metres, the department store attracts over 50,000 customers daily.

None of the Directors, their close associates, or any Shareholders who owned more than 5% of the number of issued Shares as at the Latest Practicable Date, had any interest in any of the five largest customers of our Group during the Track Record Period. Our Directors confirm that our five largest customers during the Track Record Period are Independent Third Parties.

Recurring Customers

We have been able to retain most of our major customers during the Track Record Period. Four of our five largest customers for the year ended 31 December 2016 and the five largest customers for the year ended 31 December 2017, respectively, were recurring customers (being customers who made revenue contribution to our Group in the immediately preceding financial year).

Development of Our Business

Our total revenue decreased from HK$110.8 million for the year ended 31 December 2015 to HK$46.0 million for the year ended 31 December 2016, which was mainly due to: (i) cessation of business relationship between Task and our Group; and (ii) the fact that we gradually ceased to supply products to our small customers. In addition, as a result of the cessation of business with Task, we developed less products collection and two of our key customers, namely Customer B and Customer C, ceased to place orders with us during the year ended 31 December 2016. Set out below are were the detail circumstances leading to, and our strategies dealing with, such incidents.

A. Our Relationship with Task and the Acquisition of Trademarks under the Brands

Background of the Brands

Task was our largest customer for the year ended 31 December 2015. For the year ended 31 December 2015, our revenue derived from sales to Task amounted to HK$27.2 million. All the apparel products we supplied to Task were under the Brands.

The Brands were developed by Mr. Salomon Avraham Wolf ("**Mr. SAW**") in 2000. Mr. SAW was an Independent Third Party and a business partner of Mr. Murray Ko for certain businesses mainly involved in property development. Save as the aforesaid, Mr. SAW does not have any past or present relationship with our Group, our existing Shareholders, our Directors, or any of their respective close associates. Mr. SAW obtained the registration of the trademarks under the Brands in Germany and the EU in 2007 and 2010, respectively.

The Brands focus on high-quality cashmere, wool and silk knitwear products for ladies. The Brands offer a wide range of apparel products, including dresses, blouses, shirts and scarves, while their best-selling items are 100% cashmere and wool cardigans, and sweaters. With their designs combining classic elements with modern trends and high-quality apparel products, the Brands are able to target the mid-end customers, especially mature ladies. According to the CIC Report, the Brands have gained acceptance and moderate awareness among boutique shops in Germany.

Business Arrangement and the Roles of Task and Our Group

In 2012, Mr. SAW started to gradually put in more resources in his other businesses including property development business in Asia, and licensed the Brands to Task so it could take up all the sales orders from customers in Germany as an apparel sourcing agent. To the best knowledge, information and belief of our Directors, and based on market information and practices, our Directors estimated that the royalty fee charged for licensing the Brands ranged from

5% to 8% of the total sales of apparel products under the Brands made by Task. By licensing the Brands to Task, Mr. SAW can save the time, effort and resources to handle sales transaction with a large number of boutique shops across Germany.

Task in turn engaged our Group for our one-stop apparel SCM services, including product design and development, sourcing of suppliers and production management. Under the above arrangement, all products sold by us to Task were under the Brands until the end of 2015. For the year ended 31 December 2015, our revenue from products sold to Task under the Brands amounted to HK$27.2 million. Based on our Directors' best knowledge, information and belief, our selling prices to customers usually range from 25.0% to 35.0% of the estimated retail prices. Accordingly, our Directors estimated that the market size of products under the Brands in terms of retail price ranged from HK$77.7 million to HK$108.8 million for the year ended 31 December 2015.

Offer for Sale of the Brands in 2015

In late 2015, with a view to further focusing his time and resources on his other personal businesses and investments including the property development projects in Asia, Mr. SAW decided to cease his apparel business. After supplying products to Task for approximately four years, Mr. SAW was satisfied with our services as apparel SCM service provider in terms of product design and development, sourcing of suppliers and production management. Through Task, Mr. SAW approached our Group and explored the possibility of selling the Brands to our Group considering that we may be interested in designing and delivering apparel products under self-owned brands to customers as part of our apparel SCM services. He proposed to transfer the Brands to us at an asking price of HK$20 million to HK$30 million with certain profit sharing arrangement from sales to be generated from these brands in the future. To the best knowledge, information and belief of our Directors, Mr. SAW had taken into consideration the historical revenue, and the expected revenue to be generated in the future, from the sales of products under the Brands, together with the royalty fee charged, or to be charged, thereon when he offered the asking price to us.

Our Directors did not accept such offer after taking into account a number of commercial factors, including that the asking price was too high, the profit sharing arrangement proposed by Mr. SAW was not commercially favourable and we did not have sufficient funds immediately available to meet the asking price. Although our Group had bank balances and cash of HK$48.3 million as at 31 December 2015, part of the fund had been allocated to settle (i) the operating cost and cost of purchases in the first half of 2016 amounting to HK$17.7 million; (ii) payment of tax liabilities of HK$7.2 million in the first quarter of 2016; and (iii) estimated dividends payment of HK$7.8 million in the first quarter of 2016. In our business model, we experience seasonality in our operation and we record higher sales for our fall/winter season in May/July and we receive the cash inflow from such sales throughout the 3rd quarter each year. In addition, the banking facilities in an aggregate amount of HK$576.0 million as at 31 December 2015 was for our Group and certain companies controlled by Mr. Murray Ko and his spouse as a whole, and that the banking facilities were all trade in nature including import facilities, loan against import and export facilities, and clean import loan. Accordingly, these banking facilities could not be applied towards capital expenditure purpose such as the acquisition of Brands. Please refer to notes 20 and 22 to the Accountants' Report in Appendix I to this document for further details of our bank balances and cash and bank borrowings.

As a result, taking into account of the above commercial factors, the proposed sale and acquisition of the Brands did not materialise. Mr. SAW subsequently terminated Task's licence to use the Brands. Task ceased its business as an apparel sourcing agent and discontinued purchasing apparel products from our Group.

Acquisition of the Brands in 2017

Following the cessation of business relationship between our Group and Task, our sales to Task decreased from HK$27.2 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016. We also lost two customers who were apparel sourcing agents, namely, Customer B and Customer C, among our top five customers for the year ended 31 December 2015, mainly due to the fact that we developed and produced less collections of apparel products following the cessation of business with Task.

As part of their efforts to mitigate such decrease in revenue, our Directors reconsidered our business strategies at the relevant time. Through our communication and discussion with our then existing and potential customers, our Directors became aware of the considerable market demand for apparel products under the Brands as they were considered as long-established brands of cashmere products in Germany. Therefore, our Directors reconsidered and re-assessed the offer made by Mr. SAW and approached Mr. SAW for further discussion. Given that (i) there was no sales generated from products under the Brands and no royalty fee income arising thereon, following the cessation of Task's business as an apparel sourcing agent; and (ii) Mr. SAW decided to cease his apparel business to focus his time and resources on his other personal business and investments, and had no plan to supply apparel products under the Brands going forward, and the value of the Brands to Mr. SAW would be nil if the Brands were not sold to us. After further negotiation with Mr. SAW, Mr. SAW was willing to lower the asking price to HK$10 million without any profit sharing arrangement. The acquisition of the four registered trademarks under the Brands, of which two were registered in Germany and two were registered in the EU, was completed in 2017.

Our Business Strategies after the Acquisition of the Brands

After the acquisition of the Brands, we have implemented and will continue to implement the following business plan to develop our business:

- Through our efforts in arranging one-to-one meetings with our existing customers to explain the brand image and market positions of the Brands, we have identified certain customers and will continue to identify potential customers who are interested in purchasing apparel products under the Brands.

- Based on the background of the Brands and the historical design collections of the Brands, we have developed and will continue to develop and introduce new products with reference to the latest fashion trends and make presentations to our customers.

- We have started identifying potential customers in other European countries such as France, in addition to Germany and locate local apparel sourcing agents through our business connections and referrals.

We have successfully identified, developed and recorded sales to Customer F in Germany and Rodier in France for products under the Brands during the year ended 31 December 2017. Our Directors are of the view that with the improved actual results of our Group for the year ended 31 December 2017, we have demonstrated our ability to design apparel products, expand into other apparel retail markets, develop new customers of internationally renowned brands with growth potential, and increase our sales.

Notwithstanding our additional business plan set out above, as proven by our actual performance for the year ended 31 December 2017, our Directors believe that there have not been and there will not be significant change to our business model, cost structure, revenue contribution and selling prices of our products:

1. Business model

During the Track Record Period, we have been an apparel SCM service provider and provided the following SCM services: (i) design and development; (ii) sourcing of suppliers; (iii) production management; (iv) logistics management; and (v) quality control. After the acquisition of the Brands, during the year ended 31 December 2017, we continued to provide the above services as an apparel SCM service provider and our operation flow remained the same. Subsequent to the acquisition of the Brands, we have developed part of our products under the Brands with reference to their brand image and market positions, in addition to designing our apparel products based on customers' needs and specific requirements. Given that such design and development service in relation to apparel products under the Brands had been part of the apparel SCM services we provided to our customers and the design and other operation flow for the apparel products under the Brands did not substantially differ from the design flow and the operation flow for our other products during the Track Record Period, our business model had not been and will not be significantly affected by the acquisition of the Brands.

2. Cost structure

Our Directors are of the view that there has been no significant change to our cost structure after evaluating the potential impact that the acquisition of the Brands may have on our purchase costs and our selling and distribution expenses. We will continue to operate as an apparel SCM service provider. We intend to promote and enhance the awareness of the Brands to our target corporate customers through direct communication of the philosophy of the Brands and cooperation with these customers for product design and development incorporating the Brands' image and attributes. Our Directors do not currently intend to carry out activities to promote the Brands' awareness among retail consumers. As such, we do not expect to incur significant selling and distribution expenses. The promotion of products developed under the Brands (which combined the philosophy, image and attributes of the Brands, together with the designs and specifications of our customers) to end consumers, is undertaken by our customers. Our design fee may increase as we may increase the number of designs for our product collections under the Brands. After the acquisition of the Brands in 2017, our cost structure remained the same. Our Group will continue to be an apparel SCM service provider and provide the above-mentioned services with no material change in business model and cost structure.

3. Revenue contribution

Our sales of apparel products which were not under the Brands increased from the year ended 31 December 2016 to the year ended 31 December 2017, primarily attributable to: (i) the increased sales from our existing customers located in Germany; and (ii) our expansion into new apparel retail markets. Our sales under the Brands amounted to HK$27.2 million for the year ended 31 December 2015. In addition, after the completion of the acquisition of the Brands in 2017, our sales of apparel products under the Brands for the year ended 31 December 2017 amounted to HK$9.6 million (comprising sales to Customer F of HK$8.9 million and Rodier of HK$0.7 million) and represented 13.4% of our total turnover for that year. Our gross profit of sales under the Brands amounted to HK$10.8 million and HK$3.4 million for the years ended 31 December 2015 and 2017, respectively, and the gross profit margin was 39.8% and 35.5% for the same periods, respectively. Our Directors estimate that sales under the Brands will continue to increase going forward and will increase the revenue of the Group as a whole.

4. Selling prices of products with and without the use of trademarks under the Brands

We price our apparel products based on our pricing policy including the estimated retail price of such apparel products, volume of orders and timing of delivery, estimated cost of such apparel products and estimated mark-up margins. The selling prices of products under the Brands were comparable to similar products which were not under the Brands subsequent to the acquisition of Brands in 2017. We will continue to price our products with reference to our pricing policy and do not expect any material difference in the selling prices of similar products with or without the use of the Brands. Following the acquisition of the Brands, however, we expect our revenue to increase as we expand our customer base and market coverage.

Our selling prices and profitability in respect of a customer, on the other hand, varies depending on its targeted customer and market, as well as product mix. Our average selling price and gross profit margin of Customer F and Rodier were approximately HK$168 per unit and HK$106 per unit and 28.2% and 28.1%, respectively. Our products sold to Customer F and Rodier were mainly mid-end cashmere products, and the selling price and gross profit margin were lower as compared to other customers of the Group. The difference in selling price was due to the difference in product mix in respect of the two customers.

5. Licensing arrangement

We do not have plans to license the trademarks to third parties.

6. Management of the Brands

Our customers are corporate customers. In order to manage, promote and enhance the Brands' awareness, our Group will continue to communicate our philosophy of the Brands to our customers through collaboration with customers for product design and development. Our Group will also arrange one-to-one meetings with customers to explain the brand image and market positions of the Brands, and to develop and introduce products based on the background and historical design collections of the Brands. Based on our analysis of market

trend styles and know-how, we will translate fashion concepts into new designs combining the elements and ideas of the Brands. Our design and development team, design consultants and sales and sourcing team will be responsible to communicate the Brands' philosophy with our customers. We do not expect to incur other resources specifically for the management of the Brands as compared with our existing model. We will recruit additional in-house designers and/or sales personnel after the [REDACTED] to cope with our projected expansion.

After considering the above factors, our Directors are of the view that there have not been and there will not be significant changes to our existing business model, cost structure, revenue contribution and selling prices of our products, before and after the acquisition of the Brands.

Our Group's performance before and after the acquisition of the Brands

Set out below is a summary of our operations and financial performance before and after the acquisition of the Brands:

Business model	• The design and operation flow did not substantially differ before and after the acquisition of the Brands. • No other specific resources are expected to incur to manage the Brands.
Cost structure	• No significant selling and distribution expenses are expected to incur as currently we do not intend to promote products to retail consumers. • Design fee may increase as a result of an increasing number of designs under the Brands. • Additional annual amortization charge of trademarks under the Brands of HK$1 million.
Revenue	• Revenue of HK$9.6 million derived from the sales of Branded products for the year ended 31 December 2017. • Sales of products under the Brands are expected to increase further.
Selling prices of products with and without the use of trademarks under the Brands	• No material difference in selling prices of similar products with or without the use of the Brands.

Valuation of Brands

The consideration of HK$10 million for the acquisition of the Brands was determined by adopting the following methodology and assumptions:

1. Methodology

The value of the Brands was determined by applying the relief from royalty method under the income approach. Under the relief from royalty method, which is a commonly adopted methodology in trademark valuation, the fair value of the Brands was derived based on the net present value of the expected future cashflow attributable to the cost savings in royalty assumed to be required as if our Group was not entitled to use the Brands.

For the year ended 31 December 2015, our Group supplied apparel products to Task, which was the licensee of the Brands. Our Group was not a party to the licensing arrangement between Task and Mr. SAW. Accordingly, no royalty was therefore incurred by our Group.

Our Directors are of the view that the relief from royalty method was an appropriate methodology for the valuation of the Brands.

2. Assumptions

- *Revenue and growth rates.* The growth rates of projected sales are calculated based on the best estimations made by our management with reference to a number of factors, including but not limited to: (i) the historical revenue generated from the sales of our apparel products under such Brands; (ii) future prospects of the apparel SCM industry; and (iii) our management's business plan in relation to the Brands. For the years ended 31 December 2015, 2016 and 2017, our sales of products under the Brands amounted to HK$27.2 million, nil and HK$9.6 million, and represented 24.5%, nil and 13.4% of our total revenue for the years ended 31 December 2015, 2016 and 2017, respectively. We will further expand our sales of products under such Brands to customers in Germany and other markets, and we expect the sales of products under the Brands to increase further. The CAGR of revenue deriving from the sale of products under the Brands from the year ending 31 December 2019 to the year ending 31 December 2026 is estimated to be 9.7%.

- *Royalty rate.* The royalty rate is estimated at a level that a licensor and licensee would mutually agree to after *bona fide* negotiations. Based on the best estimation made by our management and other comparable franchising cases, a 5% royalty rate was adopted.

- *Useful life.* The estimated useful life for the Brands is ten years, based on the historical life of the Brands and our management's best estimation.

- *Discount rate.* The discount rate adopted for the Brands is 17.0%, which was determined by using the capital assets pricing model, from which the weighted average cost of capital was derived and adopted as the discount rate.

Based on the projected revenue contribution from the sales of the apparel products under the Brands and the assumed royalty fee rate, which represents the cost saving after acquisition of the Brands, our Directors believe that the consideration of HK$10 million for acquiring the Brands was reasonable. As at the Latest Practicable Date, no indicators for impairment of the Brands were noted.

Renewal of Registrations of the Brands

We successfully renewed the registrations of the trademarks under the Brands in Germany with their expiry date extended to 30 November 2027 and we paid total government fees of EUR1,500 for this renewal.

Our Directors do not expect there to be any legal or practical impediments for the renewal of the trademarks under the Brands registered in the EU expiring on 17 September 2019 as advised by our German legal adviser the renewal only requires completion of simple procedural matters and timely payment of renewal fees before the relevant expiry date. Our Directors are of the view that the cost of renewal to be insignificant.

B. Our Decision to Focus on Large Customers and Develop New Customers

Distinguishing between Large and Small Customers in Early 2016

As triggered by the cessation of our business relationship with Task, our Directors conducted a review of our corporate strategies including the structure of customer base and geographic coverage of our market. Our Directors concluded that we should focus our manpower, time and resources on maintaining relationships with certain key customers and develop business relationships with new customers of internationally renowned brands with substantial growth potential. Accordingly, our Group gradually ceased supplying products to small customers during the year ended 31 December 2016.

Upon further review of our customer base with reference to our sales for the year ended 31 December 2015, we classified those customers with an annual sales of less than HK$2.5 million with our Group as small customers. Our small customers for the year ended 31 December 2015 were mostly retail stores owned by individuals or families in Germany as well as apparel sourcing agents with low transaction volume with our Group. The table below sets forth a breakdown of our revenue derived from our large/small customers for the years indicated:

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Large customers	90,770	43,849	65,537
Small customers	20,069	2,167	5,862
	110,839	46,016	71,399

Note: Our small customers are customers whose annual sales with us was less than HK$2.5 million.

Key Considerations for Our Business Strategies

By focusing our manpower, time and resources on large customers and to develop new customers of internationally renowned brands with growth potential, our Directors believe that the key advantages include the following:

- *More stable revenue streams with growth potential.* In addition to sourcing agent, our large customers were mostly department stores and boutique shops, most of which operated a number of stores across different cities and/or countries, and some of which even had their own online platforms. Our Directors believe that with stable business relationships with them, we would be able to derive from more stable revenue streams. Moreover, given the scale of operation of our large customers, the growth potential for these customers' demands for large quantities of our apparel products is great. Accordingly, our risk of experiencing a sudden revenue decrease could be limited.

- *Higher efficiency in product design and production management.* By focusing on our large customers and developing new customers of internationally renowned brands with growth potential, our Directors believed that we would be able to provide apparel SCM services more efficiently and cost-effectively. As these customers place orders of large quantities with us, so we can better plan for our product development, production schedules and delivery. Our products can be delivered to customers in larger lots instead of smaller lots to various customers.

- *Improving service quality to solidify relationships with key customers.* For the year ended 31 December 2015, we provided substantial amount of manpower, time and resources to our 18 small customers (out of a total of 29 customers) which only contributed to 18.1% of our total revenue for that year. Such customers were mostly retail stores owned by individuals or families in Germany as well as apparel sourcing agents with low transaction volume with our Group. Our Directors believed that by concentrating our resources on large and international renowned customers, we would be able to enhance our understanding of such our customers' needs and improve the quality of our apparel SCM services, thereby securing long-term, stable business relationships with such customers.

- *Enhancing our corporate image and reputation.* Our Directors are of the view that through providing services to large customers and developing new customers of internationally renowned brands, we would be able to utilise our market presence to attract customers in new apparel markets. Through close collaboration with and supplying apparel products to these customers, we could further enhance our corporate image and reputation in the apparel SCM industry.

Development of New Customers of Internationally Renowned Brands

As part of the above strategies, we visited our existing customers and potential customers through our business connections and referrals throughout 2016 and commenced our discussion with them for potential cooperation and business opportunities. In 2017, we successfully developed

two new customers in France, including Rodier and ZAPA, and one customer in Hong Kong, namely Sidefame Limited. Our Directors considered that all of them were internationally renowned brands with growth potential, details of which are set out below:

- Rodier is a well-established French fashion brand with a history of over 60 years with over 10 stores in France and specialised in providing a wide variety of middle to high-end knitwear products for women and men, which are made of quality raw materials such as cashmere, mohair, wool, merino and cotton. According to the CIC Report, in 1956, Rodier introduced a collection of knitwear and other garment pieces of its own, thus unveiling its transition from a mere manufacturer into a retailer. It expanded into the U.S. in 1983 with its fine line of clothing and entered into high-end specialty stores and departments in 1995. Today, Rodier not only focuses on its traditional knitwear and clothing, but also has product lines that encompass a wider range of consumer products like watches and shoes. For the year ended 31 December 2017, our sales to Rodier amounted to HK$2.2 million with a sales volume of 21,000 pieces and a gross profit margin of 28.1%. As at the Latest Practicable Date, the confirmed sales order on hand of Rodier for the year ending 31 December 2018 amounted to HK$6.6 million.

- Sidefame Limited was established in Hong Kong in 1985 as a retail subsidiary of Fenix Group to introduce Prada to Hong Kong. According to the CIC Report, it has grown into a modern-day fashion company that houses and markets a range of fashion and lifestyle brands including A.T BY ATSURO TAYAMA, Sue Sue and Norah Sue. With collections of woven products, knitwear products, handbags, shoes and small leather goods, its products carry elements of design and quality that match those of luxury brands and alike, and satiate the appetite of a growing base of consumers who have cultivated a taste for unique and high quality apparels. It operates retail stores in Hong Kong, Singapore, Macau, Shanghai, Beijing and six other PRC cities, all located in high-end shopping malls and downtown districts. As one of the largest apparel companies in Hong Kong, Sidefame Limited launched a private label "CODE" card in collaboration with a bank in Hong Kong in 2001 and since then, acquired over 200,000 cardholders. For the year ended 31 December 2017, our sales to Sidefame Limited amounted to HK$1.2 million with a sales volume of 2,400 pieces and a gross profit margin of 39.5%.

- ZAPA is a premium Parisian ready-to-wear brand established in 1972 and offers a series of middle to high-end apparel products and accessories for women and men. According to the CIC Report, its products are positioned at the medium to high end market, targeting at 25 to 35 year-old modern and sophisticated men and women. Its major collections include "Chic Fantasy", "Special Occasions", and "Creator", characterized with diversity of materials, fairing of lines and harmony of colours. ZAPA has over 100 stores in France and over 30 stores in other places of the world. It is also the owner of the menswear brand, "Erac Revolc", which is famous for the high quality of apparel products with leading fashion concepts. For the year ended 31 December 2017, our sales to ZAPA amounted to HK$2.8 million with a sales volume of 29,000 pieces and a gross profit margin of 15.2%. As at the Latest Practicable Date, the confirmed sales order on hand of ZAPA for the year ending 31 December 2018 amounted to HK$7.3 million.

The average selling price of the products to Sidefame Limited was approximately HK$501 per unit with gross profit margin of 39.5%. The higher selling price and gross profit margin was due to the fact that it targeted high-end customers and high quality apparel products. The average selling price and gross profit margin of our products to Rodier were approximately HK$106 per unit and 28.1%, respectively. Our products sold to Rodier were mid-end cashmere products and the selling price and gross profit margin were lower of these products as compared to those of Sidefame Limited. The average selling price and gross profit margin of our products sold to ZAPA were approximately HK$97 per unit and 15.2% respectively, and our products sold to ZAPA were for its mid-end cashmere apparel products. France is a new market for our Group and our Directors lowered the selling price and gross profit margin of our products sold there to enable our Group to develop this new market. Our Directors expect the average selling price and the gross profit margin of our products sold to these customers to increase upon further development of the markets going forward.

We only commenced to provide apparel SCM services to these customers in the second half of 2017 and only recorded sales with these customers for a limited time period. Their transaction amounts with the Group for the year ended 31 December 2017 were relatively low, and Rodier and Sidefame Limited were classified as small customers. Our Directors consider that these customers have growth potential in view of their history, market positions, retail networks and product portfolios, and believe that revenue expected to be generated from the sale of apparel products to them will continuously grow in the future as supported by their sales orders placed to us as at the Latest Practicable Date. Moreover, after the change of our business strategies to focus on large and international customers in 2016, we mainly develop business relationships with our existing large customers and customers of internationally renowned brands with growth potential going forward. We may, as the case may be, retain small customers on a case-by-case basis taking into consideration our business relationship with them, as well as their product portfolios and geographic coverages. Our Directors expect the sales derived from these small customers will be immaterial to the Group as a whole going forward.

Our Directors believe that these customers, who are long-standing, well-known apparel brands in Europe and a leading apparel company in Hong Kong that provides a number of renowned brands, are high quality customers, and through further developed business relationships with these customers, we will be able to strengthen our market position in the apparel SCM service industry. In addition to these new customers, we have also been in discussion with other well-known international brands and our cooperation with them is expected to materialise in the near future.

Improved Financial Performance in 2017

The combined effects of (i) cessation of business relationship between our Group and Task which led to the decrease in sales to Task decreased from HK$27.2 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016; (ii) gradual cessation of business relationship with small customers which led to a decrease in sales to them from HK$20.0 million for the year ended 31 December 2015 to HK$2.2 million for the year ended 31 December 2016; and (iii) the loss of Customer B and Customer C, who were sourcing agents and with the total sales of HK$19.2 million for the year ended 31 December 2015, as a result of the cessation of business relationship with Task, as our Group developed less products collections which they ceased to

place orders with our Group during the year ended 31 December 2016, together resulted in our Group's revenue to decrease from HK$110.8 million for the year ended 31 December 2015 to HK$46.0 million for the year ended 31 December 2016.

Notwithstanding the above, our Directors are of the view that, as illustrated by the improved actual results of our Group for the year ended 31 December 2017, such negative effects on our financial performance were temporary for a limited period of time. As demonstrated by the fact that (i) an increase in sales from our existing customers located in Germany from HK$46.0 million for the year ended 31 December 2016 to HK$64.4 million for the year ended 31 December 2017; (ii) the three new internationally renowned customers we successfully developed with actual sales of HK$6.2 million for the year ended 31 December 2017, with sales to Rodier (including sales under the Brands), Sidefame Limited and ZAPA amounted to HK$2.2 million, HK$1.2 million and HK$2.8 million respectively; and (iii) our sales under the Brands amounted to HK$9.6 million for the year ended 31 December 2017 (comprising sales to Customer F of HK$8.9 million and sales to Rodier of HK$0.7 million). Our total revenue increased by HK$25.4 million, or by 55.2%, from HK$46.0 million for the year ended 31 December 2016 to HK$71.4 million for the year ended 31 December 2017 and our business strategies are proved to be successful.

As at the Latest Practicable Date, our sales orders on hand for products under the Brands amounted to HK$14.5 million, mainly comprising sales orders on hand from Customer F and from Rodier of HK$6.3 million and HK$6.6 million, respectively.

As disclosed above, our Directors do not expect there will be any significant change in our business model and cost structure under the above arrangements and we will price our products with reference to our pricing policies. The above business strategies will, however, increase the sales and profit of our Group. The increase in our gross profit margin for the year ended 31 December 2016 was mainly due to changes in macro economic factors independent from the above changes and strategies. For detailed analysis of our gross profit margin, please refer to the section headed "Financial Information — Year to Year Comparison of the Results of Operations" in this document.

With our continuous efforts in solidifying our relationship with existing large customers, developing new customers of internationally renowned brands with growth potential, and strengthening our design and development capabilities based on the platform of the established Brands and as proved by our actual results for the year ended 31 December 2017, our Directors are of the view that we will be able to increase our sales in Germany, expand into other markets in other parts of the world and enhance our competitiveness in the apparel SCM industry.

Customer Development Plan

We recognise the risks relating to customer concentration during the Track Record Period. Please refer to the section headed "Risk Factors — Risks Relating to Our Group's Business — We rely on a limited number of major customers" in this document for further details. We believe we will be able to diversify our customer base and reduce the extent of customer concentration in the future based on the following:

- *Expansion of customer base into new apparel retail markets.* We believe we can utilise our ability, experience and reputation as an apparel SCM service provider to expand our customer base into new apparel retail markets in Europe and Asia for our long-term growth.

  Please refer to the paragraphs headed "— Our Business Strategies — Continue our growth by solidifying our relationship with existing customers and exploring new customers" and "— Our Customers — Development of Our Business — B. Our Decision to Focus on Large Customers and Develop New Customers — Development of New Customers of Internationally Renowned Brands" in this section for further details. We intend to spend [REDACTED]% of the [REDACTED] from the [REDACTED] in participation of more trade fairs, including setting up booths for display of our design collections and product offerings, as well as travelling and visiting our customers. Please refer to the section headed "Statement of Business Objectives and [REDACTED]" in this document for further details.

- *Development of new customers.* The German apparel retail market will continue to be our major market in the near future. Apart from the above new customers, we have been solidifying our relationship with our existing customers in Germany and growing its sales. For the year ended 31 December 2017, sales in Germany amounted to HK$64.4 million, compared to HK$46.0 million for the year ended 31 December 2016.

  According to the CIC Report, the apparel retail markets in Germany is expected to grow steadily reaching EUR67.0 billion in 2020. The Directors are of the view that the German apparel retail market offers unlimited market opportunities for us to further develop our market and exploit new opportunities with both existing and new customers.

Seasonality

Due to the nature of our operation, we experience seasonality and we usually record higher sales from May to July and from October to December each year. Set out below is our usual business cycle:

- *Fall/winter season:* We typically start our product design and development and provide quotations to our customers during the period from December to January for fall/winter season each year. Customers then place sales orders from January to February and finished apparel products are delivered to customers from May to July in that year.

- *Spring season:* We typically provide quotations to our customers and start our product design and development during the period from May to June for spring season each year. Customers then place sales orders from July to August and finished apparel products are delivered to customers from October to December in that year.

Please refer to the section headed "Risk Factors — Risks Relating to Our Group's Business — Our sales are subject to seasonal fluctuation" in this document for further details.

OUR SUPPLIERS

We have adopted and implemented policies and procedures in selecting new suppliers for manufacturing of apparel products and monitoring their ongoing performance. Please refer to the paragraph headed "— Quality Control" in this section for further details on our selection criteria of new suppliers.

We outsource the production of all of our apparel products to our suppliers in the PRC, Madagascar and Cambodia, which are all Independent Third Parties. For the years ended 31 December 2015, 2016 and 2017, we have engaged 16, nine and 14 suppliers. Except for two suppliers which are located in Madagascar and Cambodia, respectively, all of our suppliers are located in the PRC. To determine whether to allocate production orders to suppliers in the PRC, Madagascar or Cambodia, we typically take into consideration of their prices, technical capabilities, production capacities, delivery schedules and their respective competitive strengths. Suppliers in different countries and different regions of the PRC have their own competitive strengths. For example, suppliers in the southern region of the PRC are equipped with advanced manufacturing equipment and are capable to manufacture a wide variety of apparel products. Suppliers in the central and northern regions of the PRC are in close proximity to raw material supply and thereby are able to manufacture apparel products at lower costs. For our suppliers in Madagascar and Cambodia, the costs of manufacturing apparel products are more competitive due to the lower labour costs in Madagascar and Cambodia, and the exemption of import duty for exporting apparel products from Madagascar and Cambodia to Europe.

Sourcing of Raw Materials

The principal raw materials that we used for the production of our apparel products include cashmere, silk, wool and cotton. Based on the supply arrangement with our suppliers, we require our suppliers to procure raw materials in accordance with our specifications from raw material suppliers. In addition, we have undertaken quality control measures for raw materials. For further details, please refer to the paragraph headed "— Quality Control" in this section.

During the years ended 31 December 2015 and 2016, to ensure a smooth production process as well as to control the quality of the raw materials procured by our Madagascar supplier, we have required our Madagascar supplier to procure raw materials from certain designated raw material suppliers, who are our related parties, and engaged certain designated agents to carry out the customs clearance and logistics for the delivery of cashmere and wool from the PRC to our Madagascar supplier. Accordingly, our Madagascar supplier sourced cashmere and wool in the PRC from Wenco during the period from January 2015 to July 2016 and Easy Rich during the period from August to December 2016, and engaged First Top and Star Asia at their costs to arrange customs clearance and logistics for the delivery of cashmere and wool from the PRC to our Madagascar supplier. Save for First Top which was disposed of to an Independent Third Parties in March 2017, each of Wenco, Easy Rich and Star Asia is a related party of our Company. Our Directors are of the view that the supply and purchase of raw materials, including cashmere and wool, were all conducted at market rates and on normal commercial terms.

Under such arrangement, our Madagascar supplier remained responsible for the sourcing of and payment for the raw materials. However, for its administrative convenience purpose, during the Track Record Period, our Madagascar suppliers have instructed us to use the partial payment of the fee charged by it for the production of our apparel products to settle the amount of raw materials costs directly to Wenco and Easy Rich, with the remaining balance of the production fee to be paid to our Madagascar supplier. Under such arrangement, the Madagascar supplier was free from the time and cost of arranging outbound payment of raw material costs to Wenco and Easy Rich, through the under-developed banking system in Madagascar. Instead, they can receive one lump-sum payment from us.

Given that our Madagascar supplier has accumulated sufficient experience and acquired the relevant expertise in the production process which meets our requirements, including in the procurement of raw materials, we have ceased to require our Madagascar supplier to procure raw materials from our designated raw material suppliers and engaged our designated agents to carry out the custom clearance and logistics for delivery of cashmere and wool from the PRC to our Madagascar supplier since January 2017. The owners of the Madagascar supplier made a commercial decision to set up a new entity in Mauritius, namely Class Cashmere Ltd, in 2017 as a management office to handle sales and manage production, and we continue our business relationship with the Madagascar supplier through Class Cashmere Ltd, which has directly sourced raw materials from raw material providers in the PRC for manufacturing of apparel products, since January 2017. Part of our apparel products have continued to be manufactured by the Madagascar supplier through our orders placed to Class Cashmere Ltd since then. According to the CIC Report and to the best knowledge and understanding of the Directors, the comparative advantages of Mauritius over Madagascar include (i) well-established infrastructure with reliable electricity supply, good quality roads and well-developed banking industry; (ii) favourable government policies to boom manufacturing sector; and (iii) preferential market access to various African countries. Taking into account the Madagascar supplier's stable supply of quality products at competitive prices and the trust built throughout the cooperation over the years, our Directors are of the view that it is beneficial for our Group to continue engaging the Madagascar supplier, through Class Cashmere Ltd, for the manufacture of apparel products in the future. We place orders to Class Cashmere Ltd instead of Madagascar supplier at the request of the owners of the Madagascar supplier due to its internal business restructuring arrangement to have Class Cashmere Ltd served as the management office to handle sales and manage production of the Madagascar supplier and to have the factory in Madagascar to only carry out the manufacturing function. Based on the understanding of the Directors, Class Cashmere Ltd has continued to source cashmere from Easy Rich due to their long history of cooperation, stable quality supply and competitive pricing.

Our Directors confirm that, during the Track Record Period, we did not experience any material delays when liaising with, or any disputes with, suppliers in relation to the sourcing and delivery of finished apparel products, and there was no material adverse consequence from any defective apparel products produced by suppliers.

Salient Terms of Our Purchase Transactions

We do not enter into any long-term supply agreements with our suppliers. Instead, we place production orders with our suppliers after the customers' sales orders are confirmed. Our Directors believe that such practice is in line with the general practice within the industry.

Set out below are the salient terms of our purchase transactions:

- *Product description.* A brief description of the apparel products, product designs and specifications, materials to be used, colour and size, is specified.

- *Order amount.* The number of pieces for each colour and/or size, unit price and total amount, are specified.

- *Payment terms.* The credit terms granted by our suppliers were no longer than 30 days during the Track Record Period. We usually settle the payment by telegraphic transfer.

- *Termination.* Suppliers do not allow us to terminate production orders, once we place such production orders.

- *Delivery details*. Our suppliers usually deliver the apparel products to the designated ports in the PRC or Madagascar on FOB term. We further arrange the delivery of the products to our customers.

According to the terms of production orders, the production costs of finished products during the Track Record Period included both labour costs and raw material costs (including those cashmere, wool, silk and cotton). Any fluctuation in the prices of raw materials and labour costs after the placement of the production order is borne by our suppliers. Our Directors confirm that, during the Track Record Period, we did not experience any material delays or shortages in the supply of raw materials, and, to the best knowledge of our Directors, our suppliers had not experienced any material problems in sourcing raw materials for the apparel products ordered by our customers.

For a sensitivity analysis of the impact of hypothetical fluctuations in the purchase cost on our gross profit during the Track Record Period, please refer to the section headed "Financial Information — Sensitivity Analysis — Purchase Costs" in this document.

Our Major Suppliers

Our five largest suppliers accounted for 84.2%, 89.9% and 82.2% of our total purchases for the years ended 31 December 2015, 2016 and 2017, respectively, and our largest supplier accounted for 34.1%, 37.5% and 32.6% of our total purchases for the same periods. Our relationship with our five largest suppliers during the Track Record Period ranged from one to seven years. The table below sets out details of our five largest suppliers for the indicated years below:

Year Ended 31 December 2015

Rank	Supplier	Length of relationship as at the Latest Practicable Date	Purchase for the year	Percentage of total purchase cost
		(approximately in years)	*(HK$'000)*	
1	Mikeo Knits Madagascar S.A.R.L ("**Mikeo**")	7	23,871	34.1%
2	Supplier A	7	13,003	18.6%
3	Supplier B	5	8,394	12.0%
4	Supplier C	7	8,036	11.5%
5	Supplier D	7	5,635	8.0%
			58,939	84.2%

Year Ended 31 December 2016

Rank	Supplier	Length of relationship as at the Latest Practicable Date	Purchase for the year	Percentage of total purchase cost
		(approximately in years)	*(HK$'000)*	
1	Mikeo	7	8,228	37.5%
2	Supplier A	7	6,876	31.3%
3	Tianjin Xinfa Woollen Knitwear Co., Ltd. (天津鑫發針織品有限公司) ("**Xinfa**")	7	1,926	8.8%
4	Supplier B	5	1,433	6.5%
5	Supplier D	7	1,266	5.8%
			19,729	89.9%

Year Ended 31 December 2017

Rank	Supplier	Length of relationship as at the Latest Practicable Date	Purchase for the year	Percentage of total purchase cost
		(approximately in years)	*(HK$'000)*	
1	Mikeo/Class Cashmere Ltd.	7	13,906	32.6%
2	Zhejiang Hongtai Knitting Co Ltd (previously known as Shao Xin Hongtai Knitting Garments Co Ltd) (浙江宏泰針織有限公司) ("**Hong Tai**")	7	6,957	16.3%
3	Supplier A	7	6,797	15.9%
4	Xinfa	7	4,102	9.6%
5	Zhong Yin (Cambodia) B Textile Co. Ltd. ("**Zhong Yin**")	1	3,323	7.8%
			35,085	82.2%

Background of our Major Suppliers

Supplier A It is an apparel manufacturer incorporated in 1999 in Hong Kong, with its manufacturing operations in the PRC. Its principal business is manufacture and export of knitwear products.

Supplier B It is an apparel manufacturer established in 2003 in the PRC, with its manufacturing operations in the PRC. Its principal business is manufacture and export of apparel products.

Supplier C It is an apparel manufacturer established in 2007 in the PRC, with its manufacturing operations in the PRC. Its principal business is manufacture and export of knitwear products.

Supplier D It is an apparel manufacturer established in 2001 in the PRC, and with its manufacturing operations located in the PRC. Its principal business is manufacture and export of knitwear products.

Hong Tai It is an apparel manufacturer established in 2001 in the PRC, with its manufacturing operations in the PRC. Its principal business is manufacture and export of knitwear products.

Mikeo It is an apparel manufacturer established in 2010 in Madagascar, with its manufacturing operations located in Madagascar.

In 2017, the owners of Mikeo incorporated a new Mauritius entity, namely Class Cashmere Ltd., and we continue our business relationship with Mikeo through Class Cashmere Ltd.

Xinfa It is an apparel manufacturer established in 1994 in the PRC, with its manufacturing operations in the PRC. Its principal business is manufacture of knitwear products.

Zhong Yin — It is an apparel manufacturer established in 2013 in the Cambodia, and with its manufacturing operations located in Cambodia. Its principal business is manufacture and export of knitwear products.

None of our Directors or their close associates or any Shareholder who owns 5% or more of the number of issued Shares as at the Latest Practicable Date had any interest in any of the above five largest suppliers during the Track Record Period.

We have a well-connected network of suppliers which enables us to have abundant candidates of suppliers to choose from. According to the CIC Report, there are currently over 100,000 suppliers employing over 10 million workers in the PRC and most of them are located in south-eastern China. We consider that our suppliers in the PRC, Madagascar and Cambodia are easily replaceable and we do not consider that it will cause any material disruptive to our business if any of our suppliers were unable to take orders from us, as we can allocate our orders to other suppliers. Please refer to the section headed "Risk Factors — Risks Relating to Our Group's Business — We rely on third party suppliers for the manufacturing of apparel products" in this document for further details on relevant risks.

INVENTORY CONTROL

We do not maintain any inventory of raw materials or finished products. All of our finished products are delivered to our customers directly. As at 31 December 2015, 2016 and 2017, we had goods in transit which comprise finished apparel products which were on the way of being delivered to customers on DDP terms, under which the seller must pay for all the costs related to the transportation of products, and the title and risks of the products will only pass to the customers until they have received such products with the full settlement of relevant duty. Accordingly, our Group's finished products which are on the way of being delivered to our customers and/or pending for duty settlement constitute "goods in transit" as the title of the products have not passed to the customers as at the relevant balance sheet date. Our goods in transit amounted to HK$2.7 million, HK$448,000 and HK$926,000 as at 31 December 2015, 2016 and 2017, respectively.

FOREIGN EXCHANGE CONTRACTS

As a substantial portion of our revenue is denominated in EUR and US dollars and our purchases and expenses are denominated in RMB, HK$ and US dollars, we are exposed to foreign exchange fluctuations. To reduce our exposure to foreign exchange fluctuations, we entered into structured foreign currency forward contracts with certain banks in Hong Kong during the Track Record Period. These structured foreign exchange contracts were capped forward contracts. Under capped forward contracts, we paid EUR/receive US dollars if the spot rate between EUR and US dollars was lower than the contract rate which is specified in the relevant agreements on respective settlement dates based on the notional amount and the contract rate. Where the spot rate was above the contract rate on respective settlement dates, we paid EUR/receive US dollars based on the notional amount multiply by two and the contract rate with respective banks.

INFORMATION TECHNOLOGY SYSTEM

We have an ERP System through which we monitor our apparel SCM services process, from the (i) the placing of orders by our customers; (ii) sourcing suppliers and setting out specifications for production; and (iii) the delivery of apparel products to our customers' designated warehouses and/or designated ports. Through such monitoring and control of our apparel SCM services, we are able to deliver our services in an efficient manner.

Our ERP System allows us to access information on each customer's orders, the status of incomplete orders, unpaid invoices and whether each stage of the apparel supply chain has been completed. Our ERP System also allows us to keep track of the status of orders respond to enquiries from our customers on the status of their respective orders on a timely basis. We believe our ERP system also allows our management to make informed decisions in terms of cost estimates and lead time so that we can provide effective apparel SCM services to our customers.

PROPERTIES

As at the Latest Practicable Date, we did not own any property.

Property Leased

As at the Latest Practicable Date, we had leased the following property from an Independent Third Party for office use:

Address	Usage	Area	Leased term	Monthly rent
		(sq. ft.)		
Office No. 4 on the 7th Floor of Saxon Tower, 7 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong	Office	approximately 930	1 March 2017 to 28 February 2019	HK$23,250 (exclusive of management fee, rates and government rent)

From the commencement date of the above property lease to the Latest Practicable Date, such lease remained effective and we had complied with all the applicable laws in respect of our leased property as set out above in all material aspects.

OCCUPATIONAL HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS

As we do not own or operate any manufacturing facilities, we are not subject to any manufacturing-related occupational health, work safety and environmental issues. As required under Hong Kong law, we take out employees' compensation insurance for our employees. As at the Latest Practicable Date, we had not encountered any non-compliance issues with regard to any applicable laws and regulations on work safety, nor had we come across any complaints from our employees, customer or the public in respect of work safety or health issues relating to our business operations.

INTELLECTUAL PROPERTY RIGHTS

Our Intellectual Property Rights

As at the Latest Practicable Date, we were the registered owner of one trademark in Hong Kong, and registered one domain name. For further details of our intellectual property rights, please refer to the section headed "Statutory and General Information — B. Further Information about the Business of Our Group — 2. Intellectual Property Rights" in Appendix IV to this document. In addition, we acquired the trademarks under the Brands in July 2017 from Mr. SAW at a consideration of HK$10 million. For further details of the reasons for acquiring the Brands, our business model and the valuation of the Brands, please refer to the paragraph headed "— Our Customers — Development of Our Business — A. Our Relationship with Task and the Acquisition of Trademarks under the Brands" in this section of the document.

For risk associated with our intellectual property rights, please refer to the section headed "Risk Factors — Risk Relating to Our Group's Business — We may be involved in intellectual property rights infringement litigation initiated by others" in this document for further discussion on potential risks.

Measures for Protection of Intellectual Property Rights

We place high emphasis on protecting our own designs as well as avoiding potential claims of design infringement from other parties. We require all members of our design and development team and external design consultants to keep confidential of all information relating to our apparel designs. To prevent infringement of third party intellectual property rights, staff from our design and development team are required to follow the work procedure set out below when taking up tasks relating to product design and development so as to protect our own intellectual property rights and to avoid infringing intellectual property rights of any third party:

- all market trend analysis materials shall be properly saved and stored and all design work is to be sufficiently documented with all changes to any designs recorded up to the final versions, so that proof of the originality of our designs is properly preserved;

- in cases when any licensing agreements, or terms of use have been entered into between our Group and any third party on the usage of the latter's intellectual properties, such intellectual properties shall only be copied or used subject to the licensing agreements or terms of use. If there is a special need to make copies or use such intellectual properties for any purposes beyond the provisions of the relevant licensing agreements or terms of use, permission from the owners of the intellectual properties shall be sought;

- each draft of product design shall be approved by Ms. Lam Hau Chu (林巧珠), who is the head of our design and development team;

- each final product design shall be reviewed and approved by Ms. Lam at the end of the product design and development process; and

- in the situation that our design and development team identifies any potential areas of infringement, they shall consult Ms. Lam Hau Chu (林巧珠) and if a potential issue is raised, Ms. Lam shall discuss the matter with our executive Directors, and obtain further legal advice where necessary.

As at the Latest Practicable Date, we had not been sued by any third party for infringement of intellectual property rights and we were not aware of any threatened material proceedings or claims against us in relation to intellectual properties.

INSURANCE

As at the Latest Practicable Date, we had maintained insurance for products that we export against risks involved in the transportation process, including the risks of loading prior to dispatch and unloading after arrival at the destination. We review our insurance policies from time to time for adequacy in the breadth of coverage. We believe that our insurance coverage is sufficient for our existing operation and in line with general industry norm in Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we had not made, nor been the subject of any material insurance claim.

LICENCES, PERMITS AND APPROVALS

We had obtained all necessary licences, permits and approvals for our business operations in Hong Kong during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of such licences, permits and approvals.

EMPLOYEES

As at the Latest Practicable Date, we had employed a total number of eleven full-time employees, all of whom are based in Hong Kong, and engaged three external design consultants, all of whom are based in Germany. A breakdown of our employees/consultants by function as at the same date is set out below:

Function	Number of employees/ consultants as at the Latest Practicable Date
Management [(1)]	2
Administration, finance and human resources	3
Sales, sourcing and logistics	4
Quality control	1
Product design and development [(2)]	4
TOTAL	14

Notes:

(1) Mr. Morris Ko, our executive Director, chief executive officer as well as head of our sales and sourcing team and logistics team, is deemed to be part of our management team in this breakdown.

(2) In addition to our in-house product design and development team, we also engaged three external design consultants in Germany.

Our staff costs, including Directors' emoluments, were HK$2.1 million, HK$3.2 million and HK$4.0 million, respectively, and represented 1.9%, 6.9% and 5.5% of our revenue, respectively, for each of the years ended 31 December 2015, 2016 and 2017.

We entered into a management arrangement (the "**Management Arrangement**") with Meridian, our related party, for the period from 1 April 2015 to 31 December 2016 for the purpose of reducing our operation costs.

To the best of the knowledge, information and belief of the Directors, Meridian is a company incorporated in 1982 and was ultimately owned by Mr. Murray Ko and his spouse. Meridian and other companies owned and ultimately controlled by Mr. Murray Ko, including Wenco, Easy Rich and Star Asia (collectively, "**Meridian Group**"), have an annual turnover of over HK$1 billion, and employs over 800 employees. It is involved in a number of businesses including property development, trading of construction materials, investment in investment property and has long been engaged in garments trading and manufacturing. It operates a factory in Cambodia and has offices in Shanghai, Cambodia and Hong Kong.

Due to Meridian Group's history in the apparel industry and Mr. Ko's close family relationship with Mr. Murray Ko, Mr. Ko adopted certain administrative and business practices of Meridian Group and reaped the benefit from the business connection of the Ko family prior to the implementation of [REDACTED] plan of our Company. During the Track Record Period, we have entered into two related party transactions with related companies owned and controlled by Mr. Murray Ko, being (i) the Management Arrangement with Meridian for the period from 1 April 2015 to 31 December 2016; and (ii) rental of office for the three months ended 31 March 2015 and the two months ended 28 February 2017 with Wisewing International Limited. In addition, our Group entered into certain banking facilities and cross guarantees between our Group, Mr. Murray Ko and his spouse. Please refer to notes 22, 23 and 27 to the Accountants' Report set out in Appendix I to this document for further details.

Under the Management Arrangement, Meridian shared office facilities, equipment and a showroom with us. In return, we paid management fees to Meridian which was calculated based on the proportion of actual average headcount of staff working for Vision Garments. The management fee excluded the direct expenses incurred solely for the benefit of Meridian and only included the relevant expenses for those which were shared between the two parties, mainly including salaries and wages, rent and rates, and other office expenses. Accordingly, from 1 April 2015 to 31 December 2016, all the staff members of Vision Garments were under the employment of Meridian which then designated them to work solely for Vision Garments. As a result, employment records keeping and other administrative functions, such as MPF contributions, tax filings to the Inland Revenue Department of Hong Kong in respect of employees of Vision Garment, as well as payments of daily operating expenses for our employees, were handled by the responsible personnel with relevant experience in Meridian. Given that the centralised human resources management arrangement could free us from the need to recruit and maintain our own human resources and administrative team and taking into account the costs that we saved for related administrative functions; and the costs that we saved under the office-sharing arrangement with Meridian, our Directors were of the view that our Group was able to manage business in a more cost-effective manner. Our Directors confirmed that the Management Arrangement was conducted on normal commercial terms and on terms comparable to those offered by Independent Third Parties. In December 2016, considering that our business had developed into a mature platform, we terminated the Management Arrangement with Meridian. All our employees, including members of our senior

management, have been under the employment of our Group since 1 January 2017. For the information regarding the management fee we paid to Meridian under the Management Arrangement, please refer to the section headed "Financial Information — Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income — Administrative Expenses — Management Fee" in this document. Notwithstanding the above, at no point in time did Mr. Murray Ko nor his close associates have any direct or indirect involvements in the operation of our Group. Our Directors are of the view that our Group has been operating independently from Meridian Group, Mr. Murray Ko and/or his close associates based on the following factors:

- We have ceased to require the Madagascar supplier, and none of our suppliers are required, to procure raw materials from Easy Rich and Wenco, nor to engage First Top and Star Asia to carry out the custom clearance and logistics for delivery of cashmere and wool since January 2017;

- The Management Arrangement had been terminated since 1 January 2017 and we have demonstrated that we can operate independently, subsequent to the termination of the Management Arrangement. Our Group has its own capabilities and personnel to perform all essential administrative functions. The Board and the senior management of our Group are able to function independently from Meridian Group, Mr. Murray Ko and/or his close associates; and

- We have been able to obtain standalone banking facilities independent from Mr. Murray Ko and his associates, and given the fact that the banking facilities and cross guarantee with related parties will be released upon the [REDACTED], our Directors are of the view that we operate financially independent from Meridian Group, Mr. Murray Ko and/or his close associates.

Further, except for those disclosed in this subsection, the paragraphs headed "— Sales and Customer Services" and "— Our Suppliers — Sourcing of Raw Materials" in this section and note 27 to Appendix I to this document, Meridian Group has no relationship with the customers, suppliers, design consultants and other business partners of our Group.

Remuneration

We have set up a competitive remuneration system that links a portion of our employees' compensation to the performance of our business in order to provide incentives to our employees to strive for better results.

Our remuneration package includes basic salary, bonuses and allowances. We place great emphasis on employee performance in determining their remuneration. We review the performance of our employees regularly, and the review outcome is used for the employee's salary review and promotion appraisal.

During the Track Record Period, we have not experienced any strikes, work stoppages or significant labour dispute in the past and have not experienced any significant difficulties in recruiting or retaining qualified staff.

Training and Recruitment Policies

We believe that on-going development and training of our employees is critical to our success. We are committed to employee development and provide various training to our employees to support their further development.

We consider our employees to be our valuable assets and therefore attach great importance to our recruitment. We recruit employees possessing necessary skills and creative talents to help execute and achieve our business strategies and objectives. During the Track Record Period, we have recruited our employees from the open market mainly through public advertisement. None of our employees belong to any labour unions.

Mandatory Provident Fund

We participate in a mandatory provident fund scheme ("**MPF Scheme**") registered under the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) for all of our employees in Hong Kong. Contributions are made based on a percentage of the employees' salaries. Our contributions as employer vest fully with the employees when we contribute to the scheme in accordance with the rules of the MPF Scheme. We contribute the lower of HK$1,500 or 5% of the relevant monthly salary to the MPF Scheme, a contribution matched by the employees.

MARKET AND COMPETITION

According to the CIC Report, the apparel SCM industry in Hong Kong is highly fragmented and competitive, with more than 10,000 companies which can be categorised into the following three types: specialised full-service apparel SCM companies, full-service apparel SCM companies that are involved in other businesses and partial-service apparel SCM companies. We are one of the specialised full-service apparel SCM companies, which have a market share of 0.3% in 2016 in terms of revenue.

Our Directors consider that as foreign customers are under pressure to streamline operations while achieving financial growth, they will need the expertise of Hong Kong apparel SCM companies in design and development, sourcing of suppliers, production management, logistics management and quality control. Our Directors believe that our ability to provide one-stop apparel SCM services, our expertise and knowledge of the apparel SCM industry, as well as our well-connected network of suppliers will enable us to compete effectively in this industry. For further information regarding the competitive landscape of the industry in which we operate, please refer to the section headed "Industry Overview — The Hong Kong Apparel SCM Market" in this document.

In addition, our competitors may have greater financial, marketing, management and more resources than us. Increased competition may result in pricing pressure and loss of our market share, which could adversely affect our financial condition and results of operations. Please also refer to the section headed "Risk Factors — Risks Relating to Our Industry — We face keen competition from the other players in the market" in this document for further discussion on the relevant potential risks.

LEGAL PROCEEDINGS, CLAIMS AND COMPLIANCE

As at the Latest Practicable Date, we were not engaged/involved in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened against us, that would have a material adverse effect on the operating results, financial condition. and reputation.

We were not involved in any material impact non-compliance incidents or systemic non-compliance incidents in respect of applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Directors are responsible for the formulation, and overseeing the implementation, of our internal control measures and effectiveness of quality and risk management system. We have adopted, or expect to adopt upon the [REDACTED], a series of internal control policies, procedures and programmes designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the followings:

- *Code of conduct:* Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behaviour. Our code of conduct also includes whistleblowing policies to encourage all employees to speak up against any sub-standard behaviour.

- *Anti-corruption:* Our anti-corruption policies provide the tools and resources necessary to enable, monitor and enforce full compliance with anti-bribery and anti-corruption laws of China and other countries where we conduct our business operations. Compliance with our anti-corruption policies is a condition of employment.

- *Compliance with the GEM Listing Rules:* Our various policies aim to ensure compliance with the GEM Listing Rules, including but not limited to aspects related to corporate governance, connection transactions and securities transactions by our Directors. We have appointed Giraffe Capital Limited to act as our compliance adviser upon [REDACTED] and will engage external legal advisers to advise us on compliance with the GEM Listing Rules.

The ultimate goal of our risk management process is to identify and focus on the issues in our business operations that create impediments to our success. Our risk management process starts with identifying the major risks associated with our corporate strategy, goals and objectives. The key process points in our risk management include:

- *Identify:* We identify current and emerging risks in our business operations and categorise those risks into a reasonable profile based on timeframe, likelihood, intensity and impact severity. We establish four risk categories, including strategic risks, financial risks, operating risks and legal risks.

- *Assess:* We assess and prioritise risks so that the most important risks can be identified and dealt with. Based on both qualitative and quantitative analyses, we prioritise risks in terms of likelihood and impact severity.

- *Mitigate:* Based on our assessment of (i) the probability and impact severity of the risks and (ii) cost and benefit of the mitigation plans, we choose the appropriate option for dealing with risks, including risk elimination by suspending the associated business activities, risk reduction by adopting appropriate control measures, risk transfer by outsourcing or purchasing insurance policies, and risk acceptance by choosing to accept risks of low priority.

- *Measure:* We measure our risk management by determining if changes have been implemented and if changes are effective. In the event of any weakness in control, we follow up by adjusting our risk management measures and reporting material issues to our Directors.

CONTROLLING SHAREHOLDERS

Immediately upon completion of the [REDACTED] and the [REDACTED], without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, Mr. Ko, who is the sole shareholder of Metro Vanguard, will indirectly own [REDACTED] of our Company's entire issued share capital through his interest in Metro Vanguard. As such, each of Mr. Ko and Metro Vanguard is regarded as a Controlling Shareholder.

Our Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, none of the Controlling Shareholders, our Directors and their respective close associates is interested in any business which competes, or may compete, directly or indirectly, with the business of our Group, or would otherwise require disclosure under Rule 11.04 of the GEM Listing Rules.

OTHER BUSINESSES OF OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, apart from our Group, Mr. Ko, one of our Controlling Shareholders, and his close associates are also interested in the following companies which will not form part of our Group after [REDACTED] (collectively the "**Other Businesses**") and are not in competition with the business of our Group.

Company name	Place of incorporation	Date of incorporation	Principal business	Shareholding structure as at the Latest Practicable Date	Directorship	Reasons for exclusion from our Group
Azima International Company Limited (楠本國際有限公司) ("**Azima**")	Hong Kong	1 July 1993	Property investment	One-third shareholding owned by Mr. Ko, one-third shareholding owned by Ms. Chan and one-third by Mr. Morris Ko	Mr. Ko and Ms. Chan are the directors of Azima	Due to the difference in principal business
Silverise Electronic Limited (銀華電子有限公司) ("**Silverise**")	Hong Kong	9 February 1988	Trading of electronic components	Approximately 41.7% shareholding owned by Mr. Ko, approximately 41.7% shareholding owned by Ms. Chan and approximately 16.6% shareholding owned by another son of Mr. Ko and the brother of Mr. Morris Ko.	Mr. Ko and Ms. Chan are the directors of Silverise	Due to the difference in principal business

Reasons for non-inclusion of the other businesses

Our Group is principally engaged in the provision of apparel SCM services, whereas the Other Businesses comprise principally property investment and trading of electronic devices and components. Our Directors have confirmed that the Other Businesses (i) are of different industries and business models; (ii) are not within the principal business scope of our Group or in line with our business strategies; and (iii) have their own operational staff independent of our Group for their core operations. In light of the foregoing, our Directors are of the view that there is a clear delineation between the business of our Group and the Other Businesses.

As at the Latest Practicable Date, our Controlling Shareholders have also confirmed that they have no intention to inject the Other Businesses into our Group. Our Directors are of the view that such businesses neither form part of our core business nor are in line with our strategy to strengthen our market position in the Hong Kong apparel SCM industry. Our Directors believe that the exclusion of the Other Businesses allows our Group to focus on developing and strengthening our apparel SCM services business, which is in the interest of our Company and our Shareholders as a whole.

Given the different nature, different industries and different business models of the Other Businesses and the business of our Group, our Directors do not expect there to be any overlap or competition of the Other Businesses and the business of our Group after the [REDACTED].

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on its business independently from our Controlling Shareholders after the [REDACTED].

Management Independence

Our management and operational decisions are made by our Board and senior management. Our Board of Directors consists of six Directors, comprising three executive Directors and three independent non-executive Directors. Our Directors are of the view that the Board and the senior management of our Group are able to function independently from our Controlling Shareholders to compete, either directly or indirectly, with our business. Each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit for and in the best interests of our Company and our Shareholders as a whole and does not allow any conflict between his duties as a Director and his interest to exist. 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 meeting of the Board in respect of such transaction and shall not be counted in the quorum.

Operational and Administrative Independence

Our Group has its own capabilities and personnel to perform all essential administrative functions, including administration and finance management, sales and sourcing, quality control as well as product design and development. Since 1 January 2017, we have terminated the Management Arrangement with Meridian and all the essential administrative functions have been carried out by our Group without the support of our Controlling Shareholders and their close associates. Our customers and suppliers are all independent from our Controlling Shareholders and their respective close associates. Our Group does not

rely on our Controlling Shareholders and their respective close associates and have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We have sufficient workforce to operate independently from our Controlling Shareholders and their respective close associates. No services, properties or facilities are intended to be provided to our Group by our Controlling Shareholders and/or their close associates subsequent to the [REDACTED]. As such, our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders.

Financial Independence

Our Group has established an independent financial system and made financial decisions according to our own business needs. Our Directors are of the view that our Group is not financially dependent on our Controlling Shareholders or their respective close associates in our business operations and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required. During the Track Record Period, our Group had certain amounts due from Mr. Ko, our Controlling Shareholder. Please refer to note 19 to the Accountants' Report in Appendix I to this document for further details. All amounts due from Mr. Ko were fully repaid to our Group during the year ended 31 December 2017. During the Track Record Period and as at the Latest Practicable Date, we had certain bank borrowings which were secured by assets held by our Group or related parties and/or guaranteed by related parties. Please refer to note 22 to the Accountants' Report set out in Appendix I in this document for further details. Such personal guarantee, corporate guarantee and securities provided by related parties will be released upon [REDACTED].

During the Track Record Period, our primary sources of funding are mainly from cash generated from our operations and bank borrowings. For details of the bank borrowings, please refer to the section headed "Financial Information — Indebtedness" in this document. Our Directors confirm that our Group has a stable financing strategy and will not rely on our Controlling Shareholders for financing after the [REDACTED], as our working capital will be adequately funded by our operating income and bank borrowings. We are capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of our Controlling Shareholders and their respective close associates.

DEED OF NON-COMPETITION

Subject to the terms therein, the Controlling Shareholders as covenantors (the "**Covenantors**") entered into the Deed of Non-Competition in favour of our Group, pursuant to which each of the Covenantors has undertaken to our Company (for itself and as trustee of the members of our Group) that during the continuation of the Deed of Non-Competition, each of the Covenantors shall not, and shall procure each of his/its close associates (except any member of our Group), whether on his/its own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly and whether for profit or otherwise, which carries on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, principal, agent or otherwise and whether for profit, reward or otherwise) 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 the provision of apparel SCM services ranging from market trend analysis, product design and development, sourcing of suppliers, production management, logistics services and quality control in Germany, France, Hong

Kong, Austria and any other country or jurisdiction to which our Group provides such products and/or services and/or in which any member of our Group carries on business mentioned above from time to time (the "**Restricted Business**"). Each of the Covenantors has represented and warranted to our Company that neither he/it nor any of his/its close associates (except any member of our Group) is currently interested, involved or engaging, directly or indirectly (whether as a shareholder, partner, principal, agent or otherwise and whether for profit, reward or otherwise) in the Restricted Business otherwise than through our Group in Germany, France, Hong Kong, Austria or other jurisdiction which any member of our Group carries on business from time to time.

Pursuant to the Non-competition Deed, each of the Covenantors has also undertaken that if each of the Covenantors and/or any of his/its associates (except any member of our Group) is offered or becomes aware of any project or new business opportunity ("**New Business Opportunity**") that relates to the Restricted Business, whether directly or indirectly, he/it shall (i) promptly within seven (7) business days notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and (ii) use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates.

If our Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within thirty (30) business days (the "**30-day Offering Period**") of receipt of the written notice from the Covenantors, the Covenantors and/or his/its close associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. The Covenantors also agree to extend the 30-day Offering Period to a maximum of 60 business days if our Company so requires by giving a written notice to the Covenantors within the 30-day Offering Period.

In addition, each of the Covenantors has also undertaken:

i. to provide our Company and our Directors (including our independent non-executive Directors) with all information necessary, including but not limited to monthly turnover records and any other relevant documents considered necessary by our independent non-executive Directors, for the annual review by our independent non-executive Directors with regard to the compliance with the terms of the Deed of Non-Competition and the enforcement of the non-competition undertakings in the Deed of Non-Competition;

ii. to provide to our Company, after the end of each financial year of our Company, a declaration made by each of the Covenantors which shall state whether or not the Covenantors have during that financial year complied with the terms of the Deed of Non-Competition, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of our Company for the relevant financial year, and such annual declaration shall be consistent with the principles of making voluntary disclosures in the corporate governance report; and

iii. to allow our Directors (including our independent non-executive Directors), their respective representatives and the auditors to have sufficient access to the records of the Covenantor and his/its close associates to ensure their compliance with the terms and conditions under the Deed of Non-Competition.

Further, each of the Covenantors has undertaken that during the continuation of the Deed of Non-Competition:

(i) he/it will not invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time unless pursuant to the provisions stipulated in the Deed of Non-Competition;

(ii) he/it will not solicit any existing or then existing employee of our Group for employment by him/it or his/its close associates (excluding our Group);

(iii) he/it will not without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as our Controlling Shareholder or Director for any purposes; and

(iv) he/it will procure his/its close associates (excluding our Group) not to invest or participate in any project or business opportunity mentioned above unless pursuant to the provisions stipulated in the Deed of Non-Competition.

The above undertakings (i) and (iv) do not apply to the followings:

(a) the holding of shares or other securities issued by our Company or any member of our Group from time to time;

(b) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on the Stock Exchange or any other recognised stock exchange approved by the Board from time to time and the aggregate interest of the Covenantors and their respective close associates (as "interest" is construed in accordance with the provisions contained in Part XV of the SFO) do not amount to more than 5% of the relevant share capital of the company in question and the Covenantors and their respective close associates do not otherwise control the majority of the board of directors of that company;

(c) the contracts and other agreements (including any business carried on and service provided pursuant thereto and the transactions contemplated thereunder) entered into between members of our Group and the Covenantors and/or their respective close associates; and

(d) the involvement or participation of any Covenantors or its close associates in a Restricted Business in Hong Kong or other jurisdiction which any member of our Group carries on business from time to time in relation to which our Company has agreed in writing to such involvement or participation, following a decision by the independent non-executive Directors to allow such involvement or participation subject to any conditions the independent non-executive Directors may require to be imposed.

The Deed of Non-Competition will take effect upon [REDACTED] and shall expire on the earlier of:

(i) the day on which our Shares cease to be [REDACTED] on the GEM or other recognised stock exchange; or

(ii) the day on which the Covenantors and their close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as Controlling Shareholder and do not have power to control our Board.

In order to strengthen the corporate governance and to effectively monitor the observance under the Deed of Non-Competition in respect of the existing and potential conflict of interests between our Group and the Covenantors, upon [REDACTED]:

(i) our Company shall disclose in the annual reports the compliance and enforcement of the undertakings by the Covenantors in respect of the Non-competition Deed and the appropriate action to be taken by our Company;

(ii) our Company shall disclose decision on matters reviewed by our independent non-executive Directors in relation to the compliance and enforcement of the arrangement of the New Business Opportunity in the annual reports;

(iii) our independent non-executive Directors will be responsible for deciding, in the absence of any executive Director (except as invited by our independent non-executive Directors to assist them or provide any relevant information, but in no circumstances shall our executive Director(s), who participate in such meeting, be counted towards the quorum or allowed to vote in such meeting), whether or not to take up, or whether or not to allow any Covenantor(s) or his/its close associate(s) to participate in, a New Business Opportunity referred to us under the terms of the Deed of Non-Competition from time to time and if so, any conditions to be imposed;

(iv) our Board will ensure reporting any event relating to potential conflict of interests to our independent non-executive Directors as soon as practicable when it realises or suspects any event relating to potential conflict of interests may occur during the daily operations;

(v) following the reporting of any event relating to potential conflict of interests, our Board will hold a management meeting to review and evaluate the implications and risk exposures of such event and the compliance of the GEM Listing Rules in order to monitor any irregular business activities and alert the Board, including our independent non-executive Directors, to take any precautious actions; and

(vi) in the event that there is any potential conflict of interests relating to the business of our Group between our Group and our Controlling Shareholders, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles or the GEM Listing Rules, be required to declare his/its interests and, where required, abstain from voting on the transaction and not be counted as quorum where required at the relevant Board meeting and/or general meeting.

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-Competition. Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in our Shareholders' best interest as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(i) our Board will ensure reporting any event relating to potential conflict of interests to our independent non-executive Directors as soon as practicable when it realises or suspects any event relating to potential conflict of interests may occur during the daily operations;

(ii) in the event that there is any potential conflict of interests relating to the business of our Group between our Group and our Controlling Shareholders, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles and/or the GEM Listing Rules, be required to declare his/its interests and, where required, abstain from voting on the transaction and not be counted as quorum where required at the relevant Board meeting and/or general meeting;

(iii) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors whom we believe possess sufficient experience and free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and also will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed "Directors and Senior Management — Directors — Independent Non-executive Directors" in this document; and

(iv) we have appointed Giraffe Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and corporate governance.

SUMMARY OF DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of six Directors, including three executive Directors and three independent non-executive Directors. Our Board is supported by our senior management in the day-to-day management of our business. The following table summarise certain information of our Directors and senior management:

Members of Our Board

Name	Age	Present position	Date of appointment as a Director	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Executive Directors						
Mr. Ko Sin Yun (高銑印)	56	Chairman of the Board and executive Director	19 January 2017	20 March 2010	Responsible for overall management, business development and strategic planning of our Group	Father of Mr. Morris Ko
Mr. Ko Man Ho (高文灝)	28	Chief executive officer and executive Director	8 July 2017	1 August 2010	Responsible for overall management and administration of the business operation of our Group	Son of Mr. Ko
Mr. Cheng Ka Wing (鍾嘉榮)	37	Executive Director and chief financial officer	8 July 2017	1 January 2017	Responsible for supervision of our Group's financial reporting, financial planning, treasury and internal control	Nil
Independent non-executive Directors						
Mr. To King Yan, Adam (杜景仁)	58	Independent non-executive Director	16 April 2018	16 April 2018	Responsible for overseeing the management independently and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Group	Nil

Name	Age	Present position	Date of appointment as a Director	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Mr. Kwok Chee Kin (郭志堅)	58	Independent non-executive Director	16 April 2018	16 April 2018	Responsible for overseeing the management independently and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Group	Nil
Mr. Chan Kim Sun (陳劍燊)	36	Independent non-executive Director	16 April 2018	16 April 2018	Responsible for overseeing the management independently and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Group	Nil

Members of Our Senior Management

Name	Age	Present position	Date of appointment	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Ms. Lam Hau Chu (林巧珠)	52	Design manager	1 January 2017	1 September 2010	Responsible for overseeing the product design and development of our Group	Nil
Ms. Lo Wai Han (盧慧嫻)	60	Quality control manager	1 January 2017	1 December 2014	Responsible for overseeing the quality control aspects of our Group's business	Nil

DIRECTORS

Executive Directors

Mr. Ko Sin Yun (高銑印), aged 56, was appointed as our executive Director and chairman of the Board on 19 January 2017 and 8 July 2017 respectively. He is primarily responsible for supervising the overall management, business development and strategic planning of our Group. He has been the director of Vision Garments and Market Gala since 22 March 2010 and 20 March 2010, respectively.

Mr. Ko has more than 20 years of managerial and entrepreneurial experience. He founded our Group in March 2010. Mr. Ko has been involved in the trading business in Hong Kong since 1998. He is the founder and a director of Silverise Electronic Limited (銀華電子有限公司) ("**Silverise**"), a company incorporated in Hong Kong in February 1988 and principally engaged in the trading of electronic components in Hong Kong. Mr. Ko is also the director of Azima International Company Limited (楠本國際有限公司) ("**Azima**"), a private company in Hong Kong with its principal business activity being property investments. Please refer to section headed "Relationship with Controlling Shareholders — Other Businesses of our Controlling Shareholders" for details of Silverise and Azima.

Mr. Ko obtained a bachelor's degree of engineering in electronics engineering from Chung Yuan Christian University in Taiwan in June 1983.

Mr. Ko Man Ho (高文灝), aged 28, was appointed as our executive Director and chief executive officer on 8 July 2017 and 1 January 2017, respectively. He is primarily responsible for the overall management and administration of the business operation of our Group. He has been a director of Vision Garments since 15 May 2017.

Mr. Morris Ko joined Vision Garments as merchandiser in August 2010. In April 2014, Mr. Morris Ko's employment with Vision Garments was transferred to Meridian and he worked for Meridian as merchandiser. In view of the business needs of Vision Garments, Mr. Morris Ko had been designated by Meridian to work for Vision Garments exclusively and had been in charge of our sales and sourcing team from December 2014 until December 2016. Since January 2017, Mr. Morris Ko was again employed by Vision Garments and has acted as our chief executive officer.

Mr. Morris Ko graduated from Tung Wah Group of Hospitals Kap Yan Directors' College in Hong Kong in May 2007.

Mr. Cheng Ka Wing (鍾嘉榮), aged 37, was appointed as our executive Director on 8 July 2017. He is also the compliance officer of our Group. Mr. Cheng is primarily responsible for the supervision of our Group's financial reporting, financial planning, treasury and internal control. In January 2017, Mr. Cheng joined our Group as the chief financial officer of Vision Garments. He has been a director of Vision Garments since 1 June 2017.

Mr. Cheng has accumulated over 10 years of experience mainly in asset management, corporate finance and treasury management. Before joining our Group, Mr. Cheng worked at Standard Chartered Bank (Hong Kong) Limited from November 2006 to September 2007 as an analyst, at BNP Paribas

Hong Kong Branch as an analyst from October 2007 to February 2013, at Meridian and Wisewing Business Centre Limited from August 2013 to September 2014 as chief investment officer, and at New Rise Construction Engineering Limited from October 2014 to December 2016 as financial controller.

Mr. Cheng graduated from The University of Hong Kong with a bachelor's degree in social sciences in December 2003, and from the University of Durham with a master's degree in financial management in January 2006. He is a CFA® charterholder since September 2010.

Independent Non-executive Directors

Mr. To King Yan, Adam (杜景仁), aged 58, was appointed as our independent non-executive Director on 16 April 2018. He is primarily responsible for overseeing the management independently and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Group.

Mr. To worked at the Legal Department of Hong Kong (currently the Department of Justice of Hong Kong) as Assistant Crown Counsel from September 1984 to September 1986 and as Crown Counsel from September 1986 to February 1987. Mr. To joined K.B. Chau & Co., a firm of solicitors in Hong Kong, since February 1987 and is currently a partner of this firm with his practice focusing on conveyancing and litigation. Mr. To graduated from the University of London with a bachelor of laws degree in 1983. Mr. To has been a practising solicitor of the High Court of Hong Kong since 1986. In addition, he is also qualified to practise law in England and Wales and Australia, and is a China Appointed Attesting Officer. Since January 2010, Mr. To has been an independent non-executive director of Rykadan Capital Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2288).

Mr. Kwok Chee Kin (郭志堅), aged 58, was appointed as our independent non-executive Director on 16 April 2018. He is primarily responsible for overseeing the management independently and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Group.

Mr. Kwok is a physiotherapist with more than thirty years' experience. He worked as a physiotherapist at the Medical and Health Department of Hong Kong (currently the Department of Health of Hong Kong) from August 1982 to December 1985. From January 1987 to February 1994, he worked in Australia. He worked part-time or full time at various hospitals and clinics including Hampton Rehabilitation Hospital, Box Hill Hospital, Royal Children Hospital and Medical Center in Ford Motor Company, and established his own clinic, the Victoria Sports Spinal Physiotherapy and Acupuncture Clinics. In February 1994, he moved back to Hong Kong and established the ASA Physiotherapy Clinics. Mr. Kwok was also the team physiotherapist for various sports teams in Australia and in Hong Kong. He was invited to be the team physiotherapist for the Hong Kong Olympic Committee, at 1996 Summer Olympic Games. He was also a physiotherapist for the 12th Asian Games held in 1994, the 2nd East Asian Games held in 1997, the 13th Asian Games held in 1998 and the 3rd East Asian Games held in 2001. Mr. Kwok graduated from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a professional diploma in physiotherapy in 1982, The Chinese University of Hong Kong with a master of sciences degree in 2006 and the Hong Kong Baptist University with a bachelor of Chinese medicine degree in 2008. He is currently a registered physiotherapist and a registered Chinese medicine practitioner.

Mr. Chan Kim Sun (陳劍燊), aged 36, was appointed as our independent non-executive Director on 16 April 2018. He is primarily responsible for overseeing the management independently and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Group.

From October 2004 to March 2010, Mr. Chan joined HLB Hodgson Impey Cheng Limited, an established firm of certified public accountants as an accountant before being promoted as audit manager in April 2008. From August 2011 to September 2014, Mr. Chan served as finance controller and from September 2012 to September 2014 as company secretary of China Infrastructure Investment Limited, a company primarily engaged in properties investment, sale of natural gas as well as investment holding, and the shares of which are listed on the Stock Exchange (stock code: 600). Mr. Chan is currently a non-practising member of the Hong Kong Institute of Certified Public Accountants and is a fellow of the Association of Chartered Certified Accountants. Mr. Chan graduated from The Hong Kong University of Science and Technology with a bachelor's degree in business administration majoring in accounting and finance in November 2003. Since December 2015, Mr. Chan has been an independent non-executive director of Virscend Education Company Limited, the shares of which are listed on the Stock Exchange (stock code: 1565).

Disclosure Required under Rule 17.50(2) of the GEM Listing Rules

Mr. Ko Sin Yun (高銑印), our executive Director and the chairman of the Board, had been a director of the following companies incorporated in Hong Kong with limited liability and were dissolved by way of (i) striking off by the Registrar of Companies of Hong Kong pursuant to section 291 of the Predecessor Companies Ordinance; or (ii) deregistration by the Registrar of Companies of Hong Kong pursuant to section 291AA of the Predecessor Companies Ordinance:

Name of company	Principal business activity prior to the cessation of its business	Date of dissolution	Means of dissolution	Reasons for dissolution
Best Union Multimedia Co., Limited (合群多媒體有限公司)	Marketing management	27 July 2001	Deregistration	Cessation of business
Chiu Yuen Vegetable Co., Limited (潮源菜柏有限公司)	Wholesale of vegetables	20 December 2002	Striking off	Cessation of business
Neon Power (Far East) Limited	Electronic products agency	23 April 2004	Striking Off	Cessation of business

Mr. Ko confirmed that (i) each of the dissolved companies above was solvent immediately prior to its dissolution and had no outstanding claim or liabilities; (ii) there is no wrongful act on his part leading to the above dissolutions; and (iii) he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions.

Mr. To King Yan, Adam (杜景仁), our independent non-executive Director, had been a director of the following companies incorporated in Hong Kong with limited liability and were dissolved by way of (i) striking off by the Registrar of Companies of Hong Kong pursuant to section 291 of the Predecessor Companies Ordinance; or (ii) deregistration by the Registrar of Companies of Hong Kong pursuant to section 291AA of the Predecessor Companies Ordinance or section 751 of the Companies Ordinance (as the case may be).

Name of company	Principal business activity prior to the cessation of its business	Date of dissolution	Means of dissolution	Reasons for dissolution
Alfacom Health Solutions (Hong Kong) Limited (香港國衛資訊科技有限公司)	Investment holding	2 June 2006	Deregistration	Cessation of business
Alfaquants Digital Solutions Limited	Investment holding	2 June 2006	Deregistration	Cessation of business
Anline Limited (安軒有限公司)	Investment holding	17 October 2008	Deregistration	Cessation of business
Central Aqua Exhibition Limited (中環水族坊有限公司)	Culturing and selling saltwater aquarium fish	24 October 2008	Deregistration	Cessation of business
Chinese Law (Hong Kong) Alumni Association Limited (中國法學(香港)同學會有限公司)	Social community	26 September 2003	Striking Off	Cessation of business
Daygain Enterprises Limited (日益企業有限公司)	Investment holding	15 February 2013	Deregistration	Cessation of business
Diamond Art International Limited (鑽倡國際有限公司)	Investment holding	21 November 2003	Deregistration	Cessation of business
Ever Silver Holdings Limited (詠裕集團有限公司)	Investment holding	30 September 2010	Deregistration	Cessation of business
Gand Grade Development Limited (嘉銳發展有限公司)	Investment holding	25 January 2008	Deregistration	Cessation of business
Ocean Charter Limited (海企有限公司)	Property holding	29 January 2016	Deregistration	Cessation of business

Name of company	Principal business activity prior to the cessation of its business	Date of dissolution	Means of dissolution	Reasons for dissolution
Power Creation Holdings Limited (展力集團有限公司)	Investment holding	21 February 2003	Striking off	Cessation of business
Rafa-El Traditional Chinese Medicine Company Limited (雷夫爾中國傳統醫藥有限公司)	Investment holding	5 April 2012	Striking Off	Cessation of business
Rafael Aharoni & Son Co Limited (雷氏父子有限公司)	Investment holding	19 February 2016	Deregistration	Cessation of business
Rafael International Limited	Investment holding	24 May 2002	Striking Off	Cessation of business
Rafael International Trading Limited	Investment holding	9 February 2007	Deregistration	Cessation of business
Rafael International Trading Limited	Investment holding	7 November 2014	Deregistration	Cessation of business
Rafael Realty R & R Limited	Investment holding	29 October 2004	Deregistration	Cessation of business
Softnet Cyber Station Limited (微科數碼動力網站有限公司)	Investment holding	16 June 2006	Deregistration	Cessation of business
SSS Holdings Limited	Investment holding	7 October 2016	Deregistration	Cessation of business
Sun-Tech Edonline Company Limited (領域教育在線有限公司)	Investment holding	11 April 2003	Deregistration	Cessation of business
Sun-Tech Education (China) Limited (領域教育(中國)有限公司)	Investment holding	30 November 2007	Deregistration	Cessation of business
World Wide Tours & Travel Service Limited (環球觀光旅遊有限公司)	Investment holding	25 October 2013	Deregistration	Cessation of business
World Glory International Holdings Limited (偉豪國際集團有限公司)	Investment holding	6 January 2017	Deregistration	Cessation of business

Mr. To confirmed that (i) each of the dissolved companies above was solvent immediately prior to its dissolution and had no outstanding claim or liabilities; (ii) there was no wrongful act on his part leading to the above dissolutions; and (iii) he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions.

Mr. Kwok Chee Kin (郭志堅), our independent non-executive Director, had been a director of the following company which was incorporated in Hong Kong with limited liability and was dissolved by way of striking off by the Registrar of Companies of Hong Kong pursuant to section 291 of the Predecessor Companies Ordinance:

Name of company	Principal business activity prior to the cessation of its business	Date of dissolution	Means of dissolution	Reasons for dissolution
Manner Management Consultants Limited (萬年管理顧問有限公司)	Physiotherapy	21 March 2003	Striking Off	Cessation of business

Mr. Kwok confirmed that (i) the dissolved company above was solvent immediately prior to the dissolution and had no outstanding claim or liabilities; (ii) there was no wrongful act on his part leading to the above dissolutions; and (iii) he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions.

Disclosure Required Under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, each of the Directors confirms with respect to him that save as disclosed above, (i) he has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not hold any other position in our Company or any of its subsidiaries; (iii) save as disclosed in the section headed "Statutory and General Information — C. Further Information About Directors, Management, Staff and Experts" in Appendix IV to this document, he does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules; and (v) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

Ms. Lam Hau Chu (林巧珠), aged 52, was appointed as our design manager on 1 January 2017. She is primarily responsible for overseeing the product design and development of our Group.

Ms. Lam has been working in the apparel industry for 29 years. Prior to joining our Group, Ms. Lam worked as merchandiser at Meridian from April 1989 to August 2010. Ms. Lam joined our Group in September 2010 as designer of Vision Garments. In April 2015, pursuant to the Management Arrangement, Ms. Lam's employment was transferred to Meridian, which then re-assigned Ms. Lam to work at Vision Garments as designer and in charge of our design team. As the Management

Arrangement was terminated in December 2016, Ms. Lam was again employed by Vision Garments as design manager on 1 January 2017. Please refer to the section headed "Business — Employees" in this document for details about the Management Arrangement.

Ms. Lam graduated from Kit Sam Middle School in 1984.

Ms. Lo Wai Han (盧慧嫻), aged 60, was appointed as our quality control manager on 1 January 2017. She is primarily responsible for overseeing the quality control aspects of our Group's business.

Ms. Lo has over 25 years of garment quality control experience in the apparel industry. Ms. Lo had worked at Meridian as quality control staff since August 1992. From December 2014 to December 2016, Ms. Lo had been designated by Meridian to work for Vision Garments exclusively as quality control supervisor in charge of our quality control team. Since January 2017, Ms. Lo has been employed by Vision Garments as quality control manager.

Company Secretary

Ms. Ngai Kit Fong (倪潔芳) (HKICS) was appointed as our company secretary on 8 June 2017. Ms. Ngai, aged 52, is a Fellow of both the Hong Kong Institute of Chartered Secretaries ("**HKICS**") and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS. Ms. Ngai is a Director of Corporate Services of Tricor Services Limited ("**Tricor**"). Before joining Tricor, Ms. Ngai was a manager of company secretarial services with Deloitte Touche Tohmatsu in Hong Kong. Ms. Ngai has over 25 years of experience in the corporate secretarial field and is currently the company secretary of six listed companies on the Stock Exchange, namely, Huiyin Smart Community Co., Ltd. (匯銀智慧社區有限公司) (stock code: 1280), China Animal Healthcare Ltd. (中國動物保健品有限公司) (stock code: 940), BAIOO Family Interactive Limited (百奧家庭互動有限公司) (stock code: 2100), Century Sage Scientific Holdings Limited (世紀睿科控股有限公司) (stock code: 1450), Vico International Holdings Limited (域高國際控股有限公司) (Stock code: 1621) and Stream Ideas Group Limited (源想集團有限公司) (Stock code: 8401).

Compliance Officer

Mr. Cheng Ka Wing (鍾嘉榮) is the compliance officer of our Company. For details of Mr. Cheng's qualification and working experiences, lease refer to the paragraph headed "— Directors — Executive Directors" in this section of the document for details of Mr. Cheng's qualification and working experiences.

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee pursuant to a resolution of our Directors passed on 16 April 2018 in compliance with Rule 5.28 of the GEM Listing Rules. The written terms of reference in compliance with paragraph C.3.3 of the Corporate Governance Code have been adopted. The primary

duties of the audit committee are, among others, to make recommendations to our Board on the appointment, reappointment and removal of external auditor, review the financial information, oversee our financial reporting process, internal control and risk management systems and audit process, and perform other duties and responsibilities as assigned by our Board. At present, the audit committee of our Company consists of three members, all of whom are our independent non-executive Directors, namely Mr. Chan Kim Sun (陳劍燊), Mr. To King Yan, Adam (杜景仁) and Mr. Kwok Chee Kin (郭志堅). Mr. Chan Kim Sun (陳劍燊) is the chairman of the audit committee.

Remuneration Committee

Our Company established a remuneration committee pursuant to a resolution of our Directors passed on 16 April 2018 in compliance with Rule 5.34 of the GEM Listing Rules. The written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code have been adopted. The primary duties of the remuneration committee are to make recommendation to the board on the overall remuneration policy and 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. The remuneration committee consists of three members, all of whom are our independent non-executive Directors, namely Mr. To King Yan, Adam (杜景仁), Mr. Chan Kim Sun (陳劍燊) and Mr. Kwok Chee Kin (郭志堅). Mr. To King Yan, Adam (杜景仁) is the chairman of the remuneration committee.

Nomination Committee

Our Company established a nomination committee pursuant to a resolution of our Directors passed on 16 April 2018. The written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code have been adopted. The primary duties of the nomination committee are to review the structure, size and composition of our Board, and select or make recommendations on the selection of individuals nominated for directorships. The nomination committee consists of three members who are Mr. Ko Sin Yun (高銑印) our executive Directors, Mr. Chan Kim Sun (陳劍燊) and Mr. To King Yan, Adam (杜景仁) both of whom are our independent non-executive Directors. Mr. Ko Sin Yun (高銑印) is the chairman of the nomination committee.

COMPLIANCE ADVISER

Pursuant to Rule 6A.19 of the GEM Listing Rules, our Company has appointed Giraffe Capital Limited to be the Compliance Adviser, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the Compliance Adviser in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;

(iii) where our Company proposes to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, developments or results of our Company deviate from any forecast, estimate (if any) or other information in this document; and

(iv) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the [REDACTED] and end 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 [REDACTED], or until the agreement is terminated, whichever is the earlier.

SHARE OPTION SCHEME

We conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised under the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this document.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, emoluments paid to our Directors were HK$0.3 million, HK$0.4 million and HK$1.5 million for the years ended 31 December 2015, 2016 and 2017. The total remuneration paid to Mr. Morris Ko and Mr. Cheng Ka Wing, our executive Directors, during the Track Record Period included remuneration paid to them for their services as employees of our Group.

The aggregate amount of remuneration including salaries and other benefits and retirement benefit scheme contributions which were paid by our Group to five highest paid individuals during the Track Record Period, of which one, one and three are our Directors was HK$1.6 million, HK$2.4 million and HK$2.4 million for the years ended 31 December 2015, 2016 and 2017, respectively. The remunerations disclosed aforesaid has taken into account payment made by our Group to Meridian in respect of those individuals under the Management Arrangement.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office. There was no arrangement under which a Director waived or agreed to waive any remuneration during the Track Record Period.

For additional information on our Directors' remuneration during the Track Record Period as well as information on the five highest paid individuals, please refer to note 11 to the Accountants' Report set out in Appendix I to this document.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will fully comply with the Corporate Governance Code and the GEM Listing Rules upon the [REDACTED].

SHARE CAPITAL

The authorised and issued share capital of our Company immediately following the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme) will be as follows:

Authorised share capital		*HK$*
[REDACTED]	Shares	[REDACTED]
Shares in issue or to be issued, fully paid or credited as fully paid		
100	Shares in issue as at the date of this document	1
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Total	[REDACTED]

The above table assumes that the [REDACTED] becomes unconditional and the issue of Shares pursuant to the [REDACTED] and the [REDACTED] have been completed. It takes 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 or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the [REDACTED] 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 (as defined in the GEM Listing Rules).

RANKING

The [REDACTED] will be ordinary shares in the share capital of our Company and will rank pari passu in all respects with all Shares in issue or to be issued as mentioned in this document and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this document (except for the entitlement under the [REDACTED]).

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the unissued Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the total number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted or issued (otherwise than pursuant to a right issue, or scrip divided scheme or similar agreements, or a specific authority granted by our Shareholders) must not exceed:

(a) 20% of the total number of Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED] (not including Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme); and

(b) the total number of Shares repurchased by our Company (if any) pursuant to the paragraph headed "General Mandate to Repurchase Shares" below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar agreements for the time being adopted, or pursuant to the exercise of the options which may be granted under the Share Option Scheme. This general mandate will remain in effect until:

i. the conclusion of our Company's next annual general meeting;

ii. the expiration of the period within which our Company's next annual general meeting is required to be held by the Memorandum and the Articles or the Companies Law or any applicable law of the Cayman Islands;

iii. it is varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

Further information on this general mandate is set forth under the paragraph headed "Statutory and General Information — A. Further Information about Our Group" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set forth in the section headed "Structure and Conditions of the [REDACTED]" of this document being fulfiled, our Directors have been granted a general mandate to exercise all the powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of our Shares in issue immediately following completion of the [REDACTED] and the [REDACTED].

This mandate only relates to repurchases made on the GEM, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and

requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information About Our Group — 6. Repurchase by Our Company of Our Shares" in Appendix IV to this document.

The general mandates to repurchase shares will remain effect until:

i. the conclusion of our Company's next general meeting;

ii. the expiration of the period within which our Company's next annual general meeting is required to be held by the Memorandum and the Articles or the Companies Law or any applicable laws of the Cayman Islands; or

iii. it is varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the section headed "Statutory and General Information — A. Further Information About Our Group" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, see the section headed "2. Articles of Association — (a) Shares — (iii) Alteration of capital" in Appendix III to this document.

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, see the section headed "Summary of the Constitution of Our Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares" in Appendix III to this document.

So far as our Directors are aware, the following persons will, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued by out Company pursuant to the exercise of any 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 Division 2 and 3 of Part XV of the SFO, or will be, directly, or indirectly, interested in 10% or more of the issued voting shares of our Company:

Name	Nature of interest and capacity	Number of Shares held/ interested as at the date of this document	Percentage of interest in our Company as at the date of this document	Number of Shares held/interested immediately following completion of the [REDACTED] and [REDACTED]	Percentage of interest in our Company immediately after the [REDACTED] and [REDACTED]
Metro Vanguard[(1)]	Beneficial owner	100	100%	[REDACTED]	[REDACTED]
Mr. Ko[(1)]	Interest of a controlled corporation	100	100%	[REDACTED]	[REDACTED]
Ms. Chan[(2)]	Interest of spouse	100	100%	[REDACTED]	[REDACTED]

Notes:

(1) Metro Vanguard is wholly owned by Mr. Ko. Therefore, Mr. Ko is deemed to be interested in the Shares held by Metro Vanguard under the SFO.

(2) Ms. Chan is the spouse of Mr. Ko. By virtue of the SFO, Ms. Chan is deemed to be interested in all shares in which Mr. Ko is interested.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] and [REDACTED] (without taking into account the Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Division 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any member of our Group.

You should read the following discussion and analysis of our Group's financial condition and results of operations in conjunction with our consolidated financial statements as at and for each of the years ended 31 December 2015, 2016 and 2017, and notes thereto set forth in the Accountants' Report included as Appendix I to this document. Our consolidated financial information has been prepared in accordance with HKFRSs. Potential investors should read the whole Accountants' Report set forth in Appendix I to this document, and not rely merely on the information contained in this section. The following discussion and analysis contains certain forward-looking statements which involves risks and uncertainties. Please see the sections headed "Risk Factors" and "Forward-looking Statements" in this document for discussions of those risks and uncertainties.

OVERVIEW

We are an apparel SCM services provider based in Hong Kong delivering one-stop solution to customers in Europe, predominantly Germany. According to the CIC Report, we are among approximately 100 specialised full-service apparel SCM companies which has the capacity to provide comprehensive apparel SCM services to customers. We have developed a vertically integrated business model and our services range across market trend analysis, product design and development, sourcing of suppliers, production management, logistics services and quality control. Through engaging us for apparel SCM services, our customers are able to focus their resources on their retail businesses and respond quickly to the fast-evolving changes of fashion industry, as they do not have to separately engage different suppliers for various types of services throughout the apparel supply chain.

We have fostered a strong long-term partnership with most of our key customers which consist of large department stores and boutique shops offering fashion brands, as well as apparel sourcing agents. Our five largest customers during the Track Record Period include two of the large scale German department stores: one of them was established in 1907, with over 60,000 square meters of gross floor area, and has over 50,000 customers daily; and the other one was established in 1911, with its stores operating across 18 cities in Germany and five other European countries. Our five largest customers during the Track Record Period also include a boutique shop with 60 stores across Germany. During the years ended 31 December 2015, 2016 and 2017, Germany was our key market and accounted for 92.7%, 100% and 90.2% of our total revenue for the same period, respectively. As at the Latest Practicable Date, we maintained business relationships with our five largest customers during the Track Record Period which ranged from two to seven years. With our proven record of service quality as well as our industry understanding and product know-how, we believe we have developed our reputation among customers in local apparel retail markets across Germany. We plan to further increase our geographic footprint to new apparel retail markets. According to the CIC Report, the apparel retail markets in Germany as well as France and Hong Kong where we have newly expanded our business into and diversify our customer base are expected to grow steadily reaching EUR67.0 billion, EUR36.4 billion and HK$52.5 billion in 2020, respectively. In 2017, we expanded into the French and Hong Kong apparel retail markets and derived sales from Rodier, ZAPA and Sidefame Limited.

To focus our time and resources on provision of apparel SCM services, we outsource the manufacturing of all apparel products ordered by our customers, to our suppliers in the PRC, Madagascar and Cambodia. We have a thorough understanding of the manufacturing capabilities of suppliers in the PRC, Madagascar and Cambodia. With our well-connected network of suppliers, we can select suppliers to meet our customers' demands as to budgets, design specifications and manufacturing

techniques. We are also able to monitor closely the overall production processes of these suppliers. Based on our production management, including monitoring production schedules and evaluating our suppliers' performance, we can ensure that our customers' orders are completed in accordance with relevant production schedules.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

We have prepared our financial information on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period and in accordance with accounting policies which confirmed with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, on the basis set out in note 3 to the Accountants' Report as set out in Appendix I to this document. In addition, our financial information also complies with the applicable disclosure required by the Hong Kong Companies Ordinance.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 January 2017. Pursuant to the Reorganisation as described in the section headed "History and Reorganisation — Reorganisation" in this document, our Company became the holding company of the subsidiaries now comprising our Group on 15 February 2017. Our Company and its subsidiaries have been under the common control of Mr. Ko, our Controlling Shareholder, throughout the Track Record Period or since their respective dates of incorporation, where there is a shorter period. Our Group resulting from the Reorganisation, which involves interspersing our Company and Metro Vanguard between Market Gala and Mr. Ko, is regarded as a continuing entity. Accordingly, the financial information has been prepared on the basis as if our Company had always been the holding company of our Group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period, taking into account the respective dates of incorporation of the relevant entities .

The consolidated statement of financial position as at 31 December 2015, 2016 and 2017, have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence at those dates, taking into account the respective date of the incorporation of the relevant entities.

FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Our results of operations and financial condition during the Track Record Period have been and will continue to be affected by a number of factors, including but not limited to those set forth in the section headed "Risk Factors" in this document and as set out below:

Our Relationship with Major Customers

Our top five customers accounted for 62.2%, 87.1% and 87.8% of our total revenue for the years ended 31 December 2015, 2016 and 2017, respectively. In particular, 24.5%, 39.4% and 39.2% of our total revenue was attributable to our largest customer for the same years, respectively.

We have not entered into any long-term sales contracts with our customers and sales are made on an order-by-order basis. If any of our major customers reduce the volume or prices of apparel products they order from us or to terminate the business relationship with us entirely, we cannot assure you that we would be able to secure new business from other customers for replacement. In addition, if any of our major customers experience any financial difficulty and fail to settle the outstanding amounts due to us in accordance with the agreed credit terms, our working capital position may be adversely affected.

Use of Suppliers

To focus on our provision of SCM services, we engage suppliers located in the PRC, Madagascar and Cambodia to manufacture apparel products to our customers. Any disruption of manufacturing processes, deviation from product specifications or delay in product delivery will result in failure in fulfiling our customers' sales orders and our revenue may decrease materially. Therefore, our operations and financial results depend on the reliability and efficiency of our suppliers and the production management and implementation of quality control measures by our sales and sourcing team over the manufacturing process.

Prices of Raw Materials

Our suppliers liaise with raw material providers directly and the costs of raw materials were included in the costs we paid to our suppliers. Prices of raw materials thus affect our results of operations.

We cannot assure you that our existing suppliers will be able to source raw materials at favourable prices and to provide finished apparel products at favourable or similar prices to us, or at all. In the event that the prices of raw materials continue to rise and we are unable to increase the prices of the products to the same or higher extent so as to pass the increased costs to our customers, our profitability may be adversely affected.

Foreign Currency Exposure

Our sales to customers are denominated either in EUR or US$, while our costs and purchases including purchase costs and operating costs are denominated in RMB, HK$ and US$. We are exposed to the fluctuation in exchange rate of RMB, HK$, US$ and EUR, which would result in the decrease of our profit margin if we are unable to adjust the selling prices of our products accordingly. Even if we increase the selling prices of our products, this may in turn affect our competitiveness against other

competitors. Please refer to the section headed the "Risk Factors — Risks Relating to Our Group's Business — We are exposed to foreign exchange risk arising from our business operations" in this document. We cannot assure you that future exchange rate fluctuations will not adversely affect our business.

End Consumers' Consumption Level and Macroeconomic Conditions

Our customers are based in Europe, predominantly Germany, while one of our business strategies is to expand our customer base in other markets including Hong Kong and France. Our performance and profitability are dependent on the end consumers' consumption levels and the macroeconomic conditions around the globe especially in Europe. There are many factors which may affect the level of consumer spending in Europe, including but not limited to level of disposable income, interest rates, currency exchange rates, recession, inflation, political uncertainty, taxation, tariff regime, stock market performance, unemployment level and general consumer confidence.

Seasonality

Our business and results of operations are subject to seasonal fluctuations. Under our business model, we make delivery of our products for the fall/winter season from May to July, and for the spring season from October to December. Accordingly, we achieve higher revenue in the periods of May to July and October to December each year. Our sales and results of operations are likely to continue to fluctuate due to seasonality. Please refer to the section headed "Business — Our Customers — Seasonality" in this document for further details.

CRITICAL ACCOUNTING POLICIES

Our financial information has been prepared in accordance with HKFRSs which comprise all standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants. Below is a summary of certain significant accounting policies and estimates that we believe are important to the presentation of our financial results and positions. Please also refer to note 3 to the Accountants' Report as set out in Appendix I to this document for details of the significant accounting policies relating to our financial information.

Revenue Recognition

Revenue represents amounts receivable for goods sold and services provided in the normal course of business and net of discount and is measured at fair value of the consideration received or receivable. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to our Group and when specific criteria have been met for each of the relevant activities. For our business activities, revenue from the sale of goods and services rendered is recognised when the goods are delivered and titles have passed and services are provided. For further details, please refer to note 3 to the Accountants' Report set out in Appendix I to this document.

Impairment Losses on Tangible Assets and Intangible Assets

At the end of the reporting period, our Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is

estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, our Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. For further details, please refer to note 3 to the Accountants' Report set out in Appendix I to this document.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by our Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequently to initial recognition, our Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of Trade Receivables

In the process of applying our accounting policies, our Directors are required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. We review our estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The critical accounting judgements that we use in applying our accounting policies are set out in note 4 to the Accountants' Report set out in Appendix I to this document.

When there is objective evidence of impairment loss, we would estimate the future cash flows from the receivables at the amount of 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. In the circumstances that the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, 2016 and 2017, our carrying amounts of trade receivables were HK$3.7 million, HK$6.8 million and HK$8.7 million, respectively. No impairment loss was charged to profit or loss during the Track Record Period.

Estimated useful life of intangible assets

The intangible assets with finite useful lives of our Group represents the trademarks acquired by our Group which are amortised on a straight line basis over the estimated useful lives of the trademarks, after taking into account the estimated residual value, if any. We determine the estimated useful lives of trademarks on initial recognition in order to determine the amount of amortisation expense to be recorded during any reporting period. The useful life of the trademarks was determined with reference to

a number of factors, including the history since the trademarks established and management's experience and industry knowledge. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates prospectively. The useful lives of our intangible assets are estimated as ten years which is set out in note 15 to the Accountants' Report as set out in Appendix I to this document.

SUMMARY RESULTS OF OPERATIONS

The following table sets out a summary of our results of operations for the years ended 31 December 2015, 2016 and 2017, which are derived from the Accountants' Report as set out in Appendix I to this document.

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	110,839	46,016	71,399
Cost of sales	(73,779)	(24,615)	(44,867)
Gross profit	37,060	21,401	26,532
Other income	30,747	28,256	22,270
Other gains and losses	3,973	4,800	(809)
Selling and distribution expenses	(10,037)	(3,990)	(6,068)
Administrative expenses	(3,989)	(4,719)	(4,221)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	(887)	(539)	(397)
Profit before taxation	56,867	45,209	25,192
Income tax expense	(3,567)	(2,335)	(2,727)
Profit for the year	53,300	42,874	22,465

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We provide apparel SCM services to customers in Europe, predominantly Germany and Hong Kong. During the Track Record Period, our revenue was generated from the sales of middle to high-end apparel products to our customers. Our total revenue was HK$110.8 million, HK$46.0 million and HK$71.4 million for the years ended 31 December 2015, 2016 and 2017, respectively.

The apparel products delivered to our customers are categorised into knitwear products, T-shirts and woven products. The following table sets out the breakdown of our revenue by product category for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	HK$'000	*% of total revenue*	*HK$'000*	*% of total revenue*	*HK$'000*	*% of total revenue*
Knitwear products	82,113	74.1	39,385	85.6	66,191	92.7
T-shirts	13,282	12.0	3,504	7.6	2,371	3.3
Woven products	15,444	13.9	3,127	6.8	2,837	4.0
	110,839	100.0	46,016	100.0	71,399	100.0

Our sales decreased from HK$110.8 million for the year ended 31 December 2015 to HK$46.0 million for the year ended 31 December 2016. The decrease was primarily due to (i) cessation of business relationship between Task and our Group; and (ii) gradual cessation of business relationship with our small customers. Sales to Task, our largest customer for the year ended 31 December 2015, decreased from HK$27.2 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016. We also lost two of our top five customers, who were apparel sourcing agents, as a result of the cessation of business relationship with Task as our Group developed less product collections and they ceased to place orders with the Group during the year. As part of our strategic change to mitigate the decrease in revenue, our Directors reviewed the structure of our customer base and determined to focus our resources on our key customers and to develop business relationships with new customers of internationally renowned brands with growth potential. We gradually ceased to supply products to small customers. The number of our customers decreased from 29 for the year ended 31 December 2015 to eight for the year ended 31 December 2016 and our aggregate sales amount to small customers decreased from HK$20.1 million to HK$2.2 million during the same period. Please refer to section headed "Business — Our Customers — Development of Our Business" in this document for further details.

The table below sets forth a breakdown of our large/small customers for the years indicated:

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Large customers	90,770	43,849	65,537
Small customers	20,069	2,167	5,862
	110,839	46,016	71,399

Note: Our small customers are customers whose annual sales with us was less than HK$2.5 million.

Our sales increased from HK$46.0 million for the year ended 31 December 2016 to HK$71.4 million for the year ended 31 December 2017, primarily attributable to (i) increase in sales from our existing customers located in Germany from HK$46.0 million for the year ended 31 December 2016 to HK$64.4 million for the year ended 31 December 2017; (ii) our expansion into French and Hong Kong apparel market with sales to Rodier, Sidefame Limited and ZAPA amounted to HK$6.2 million for the year ended 31 December 2017; and (iii) sales derived from the Brands amounted to HK$9.6 million for the year ended 31 December 2017 (comprising sales to Customer F of HK$8.9 million and Rodier of HK$0.7 million).

In terms of product mix, knitwear products remained our key products and accounted for 74.1%, 85.6% and 92.7% of our total revenue for the years ended 31 December 2015, 2016 and 2017, respectively.

During the year ended 31 December 2015, 2016 and 2017, Germany was our key market and accounted for 92.7%, 100% and 90.2% of our total revenue, respectively.

Sales Volume and Average Selling Price

The table below sets forth a breakdown of our sales volume and average selling price by product category for the years indicated:

	Year ended 31 December		
	2015	**2016**	**2017**
Knitwear products			
Sales volume (number of pieces '000)	190.9	108.8	286.1
Average selling price *(HK$/piece)*	430.1	362.0	231.4
T-shirts			
Sales volume (number of pieces '000)	66.7	16.9	14.4
Average selling price *(HK$/piece)*	199.1	207.3	164.7
Woven products			
Sales volume (number of pieces '000)	58.5	10.5	10.6
Average selling price *(HK$/piece)*	264.0	297.8	267.6

Our sales volume of knitwear products, T-shirts and woven products for the year ended 31 December 2016 decreased as compared with the year ended 31 December 2015, primarily due to the decrease in sales to Task and small customers. Our sales volume of knitwear products increased during the year ended 31 December 2017 mainly attributable to the increase in sales as described above. Our sales volume of T-shirts and woven products remained stable and immaterial during the year ended 31 December 2017, as compared to the year ended 31 December 2016. The decrease in average selling price of knitwear products from HK$430.1 per piece for the year ended 31 December 2015 to HK$362.0 per piece for the year ended 31 December 2016 and further to HK$231.4 per piece for the year ended 31 December 2017 was mainly due to a change in product mix of one of our major customer which was a sourcing agent with a focus of middle to high-end cashmere products. During the year ended 31 December 2016 and 2017, the customer purchased more mid-end cashmere products with lower average

selling price. As compared to high-end cashmere products, the percentage of cashmere of mid-end cashmere products and the selling prices are usually lower. In addition, more mid-end cashmere products were sold to ZAPA which target middle to high-end customers, which together drove down the average selling price of our knitwear products. Accordingly, our sales volume increased while our average selling prices decreased.

For the year ended 31 December 2017, sales of T-shirts and woven products together amounted to 7.3% of our total turnover and our T-shirts products served as ancillary product supplementing our key products, knitwear products. The decrease in selling price was in line with the decrease in average selling price of our knitwear products.

Revenue by Customer Type

The table below sets out our revenue by customer type for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	HK$'000	*% of total revenue*	*HK$'000*	*% of total revenue*	*HK$'000*	*% of total revenue*
Apparel sourcing agent	73,061	65.9%	26,620	57.8%	49,118	68.8%
Boutique shop	17,440	15.7%	9,005	19.6%	12,685	17.8%
Department store	20,338	18.4%	10,391	22.6%	9,596	13.4%
	110,839	100.0%	46,016	100.0%	71,399	100.0%

A majority of our sales were to customers who are apparel sourcing agents. The slight decrease in sales contributed from apparel sourcing agents for the year ended 31 December 2016 was mainly due to the cessation of sales to Task and two major customers, who were apparel sourcing agent, during the year ended 31 December 2016. For the year ended 31 December 2017, our sales contributed by apparel sourcing agent increased from 57.8% for the year ended 31 December 2016 to 68.8% for the year ended 31 December 2017 which was driven by the increase in sales to our largest customer, which was an apparel sourcing agent, for the year ended 31 December 2017. After the acquisition of the Brands, we successfully developed new products and recorded sales to our largest customer. Sales contribution from boutique shop and department store remained relatively stable during the years.

Cost of Sales

The following table sets out a breakdown of our cost of sales for the years indicated:

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Purchase cost	70,078	21,944	42,700
Import duty	2,858	2,661	1,934
Others	843	10	233
	73,779	24,615	44,867

Our cost of sales mainly represented purchase costs, import duty and other cost of sales. Purchase cost represented the cost of finished goods purchased from our suppliers located in the PRC, Madagascar and Cambodia.

The decrease in cost of sales from HK$73.8 million for the year ended 31 December 2015 to HK$24.6 million for the year ended 31 December 2016 was primarily due to (i) decrease in purchase cost of finished goods resulting from a decrease in sales from the year ended 31 December 2015 to the year ended 31 December 2016; and (ii) decrease in purchase cost as a result of decrease in raw materials cost, primarily cost of cashmere.

Our cost of sales increased from HK$24.6 million for the year ended 31 December 2016 to HK$44.9 million for the year ended 31 December 2017, mainly attributable to the increase in purchase cost of finished goods resulted from the increase in sales volume of knitwear products.

The following table sets out a breakdown of cost of sales by product category for the years indicated:

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Knitwear products	55,063	20,605	41,384
T-shirts	8,168	2,005	1,454
Woven products	10,548	2,005	2,029
	73,779	24,615	44,867

Gross Profit and Gross Profit Margin

Our gross profit was HK$37.1 million, HK$21.4 million and HK$26.5 million for the years ended 31 December 2015, 2016 and 2017, respectively, and our gross profit margin was 33.4%, 46.5% and 37.2% for the same periods, respectively.

Our gross profit decreased from HK$37.1 million for the year ended 31 December 2015 to HK$21.4 million for the year ended 31 December 2016. The decrease was mainly attributable to the decrease in sales and partially offset by an increase in gross profit margin. Our gross profit margin increased from 33.4% for the year ended 31 December 2015 to 46.5% for the year ended 31 December 2016, primarily due to (i) decrease in price of cashmere, our principal raw material for knitwear products; (ii) an increase in the unit selling price of the same products in anticipation of fluctuation between EUR and Hong Kong dollar at the time we confirm the quotation with our customers; and (iii) appreciation of EUR against Hong Kong dollar throughout 2016.

Our gross profit increased from HK$21.4 million for the year ended 31 December 2016 to HK$26.5 million for the year ended 31 December 2017 and our gross profit margin decreased from 46.5% to 37.2% for the same periods. The increase in gross profit was mainly due to the increase in sales. The decrease in gross profit margin was mainly due to the stabilisation of cashmere price.

Under our pricing policy, we price our apparel products based on the following factors: (i) estimated retail prices of similar apparel products in the market; (ii) volume of orders and timing of delivery; (iii) estimated costs; (iv) estimated mark-up margins; and (v) estimated effect of foreign exchange rates. Our selling prices to customers usually ranges from 25.0% to 35.0% of the estimated retail prices, while our target gross profit margin usually ranges from 30.0% to 40.0%.

Despite the fact that (i) the average selling price of our knitwear products decreased from HK$430.1 per piece for the year ended 31 December 2015 to HK$362.0 per piece for the year ended 31 December 2016 as a result of a change in product mix of one of our major customers. (During the year ended 31 December 2016, the customer mainly purchased middle to high-end cashmere products from us with lower average selling price. As compared to high-end cashmere products, the percentage of cashmere of mid-end cashmere products were lower and accordingly the selling prices were lower. As the sales volume of that customer contributed approximately 40% of our total sales volume of knitwear products, our average selling price of knitwear products decreased); and (ii) our sales dropped from HK$110.8 million for the year ended 31 December 2015 to HK$46.0 million for the year ended 31 December 2016 as described above, we priced our products with reference to our pricing policy with target gross profit margin ranging from 30.0% to 40.0%. During the year ended 31 December 2016, the cost of cashmere dropped by 18.8% and part of the effect of the decrease in the cost of cashmere was not reflected in our selling prices to our customers during the year ended 31 December 2016, resulting in the increase in the gross profit margin of our knitwear products from 32.9% for the year ended 31 December 2015 to 47.7% for the year ended 31 December 2016. As a result, our gross profit margin of knitwear products increased while our average selling price of knitwear products decreased during the year ended 31 December 2016.

For the year ended 31 December 2017, in order to maintain our competitiveness, we adjusted the quotation and selling price of our knitwear products to our customers to reflect the effect of the reduced cost of cashmere. The cost of cashmere remained relatively stable throughout the year and there was no material fluctuations in the cost of cashmere. As a result, our gross profit margin of knitwear products decreased to 37.5% for the year ended 31 December 2017, which was in line with our pricing policy and within the range of our target gross profit margin, and was comparable to the gross profit margin for the year ended 31 December 2015.

The Directors expect the gross profit margin of the Group to slightly decrease in the short term reflecting the effect of a change in customer mix of the Group. During the year ended 31 December 2017, the Group developed three new customers who were internationally renowned brands. For details, please refer to "Business — Our Decision to Focus on Large Customers and Develop New Customers" of this document. The gross profit margin of Rodier and ZAPA were lower than the overall gross profit margin of the Group as the Group lowered the gross profit margin to enable the Group to develop the French apparel market. The Directors, however, expect the gross profit margin of these customers to increase in the medium term upon the further development of this market. The Directors believe that, with the continuous expansion of the Group's operation and sales, the profitability of the Group, including its gross profit and net profit, will further increase.

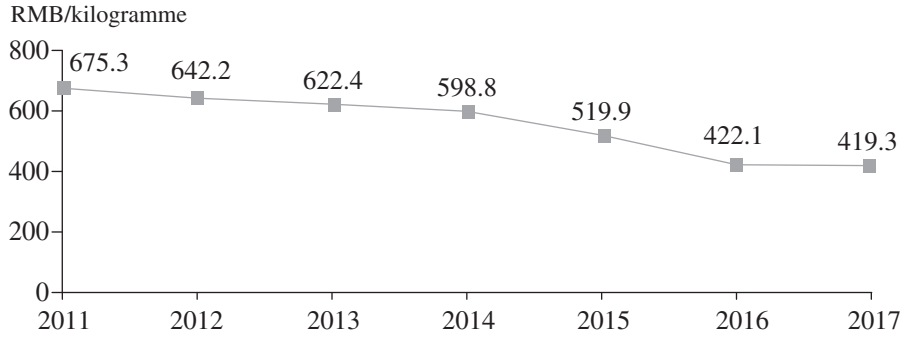
The table below sets forth a breakdown of our gross profit and gross profit margin for our product for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	HK$'000	*Gross Profit Margin %*	*HK$'000*	*Gross Profit Margin %*	*HK$'000*	*Gross Profit Margin %*
Knitwear products	27,050	32.9%	18,780	47.7%	24,807	37.5%
T-shirts	5,114	38.5%	1,499	42.8%	917	38.7%
Woven products	4,896	31.7%	1,122	35.9%	808	28.5%
Overall	37,060	33.4%	21,401	46.5%	26,532	37.2%

Effect of Price of Cashmere

The principal raw materials of knitwear products were cashmere. The cost of cashmere experienced a decreasing trend in recent years. In particular, the cost of cashmere decreased by 18.8% from RMB519.9 per kilogramme for the year ended 31 December 2015 to RMB422.1 per kilogramme for the year ended 31 December 2016, and slightly decreased by 0.6% to RMB419.3 per kilogramme for the year ended 31 December 2017. As a result, our gross profit margin for knitwear products increased from 32.9% for the year ended 31 December 2015 to 47.7% for the year ended 31 December 2016. For the year ended 31 December 2017, in order to maintain our competitiveness, we adjusted the quotation and selling price of our knitwear products to our customers to reflect the effect of the reduced cost of cashmere. Cashmere price remained relatively stable during the year ended 31 December 2017 as compared to a decrease of 18.8% for the year ended 31 December 2016. Accordingly, our gross profit margin for knitwear products decreased from 47.7% for the year ended 31 December 2016 to 37.5% for the year ended 31 December 2017.

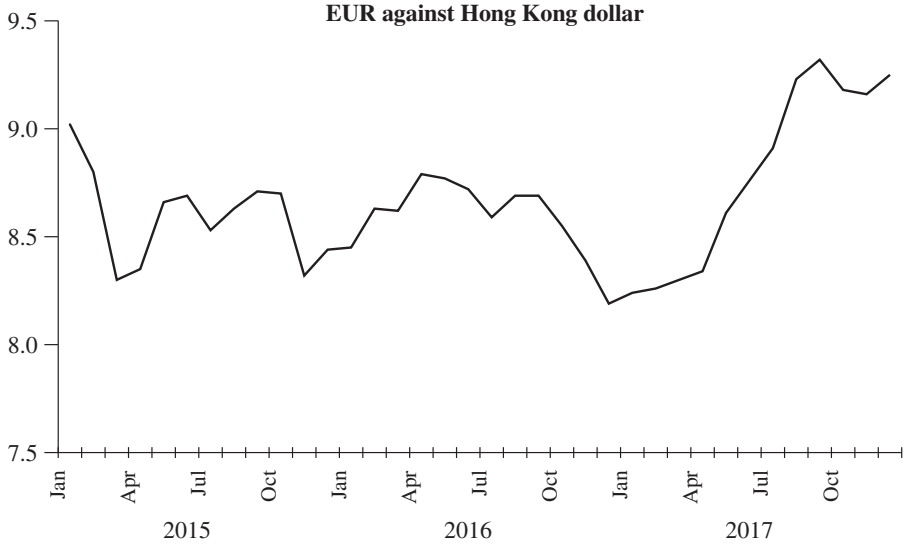
The graph below set out the price of cashmere from 2011 to 2017:



Source: CIC

Effect of Exchange Rate of EUR and Hong Kong Dollar

The exchange rate between EUR and Hong Kong dollar experienced significant fluctuation in recent years. Set out below is the exchange rate of EUR against Hong Kong dollar during the Track Record Period:



Source: Hong Kong Monetary Authority

Our sales are denominated in EUR or US dollar and we experienced seasonality in our operation. In our business model, we confirm apparel product designs and price quotations with our customers in the two periods of January to February and July to August each year, respectively and we subsequently deliver our products to customers and record sales in the two periods of May to July and October to December in that year, respectively. As a result, we record higher sales in the two periods of May to July and October to December each year.

For the year ended 31 December 2016, as EUR appreciated against Hong Kong dollar in the period from May to July compared to the period from January to February, the actual sales value recorded in terms of Hong Kong dollar was higher than the confirmed selling price with the customers at the

relevant time which was denominated in EUR. As a result, our gross profit margin recorded in terms of Hong Kong dollar increased. During the year ended 31 December 2017, with a view to minimise the effect of fluctuation of EUR against Hong Kong dollar, the Group quoted and sold its products only in US dollar to the new customers starting from the second half of 2016. As a result of the increase in sales to these customers, together with sales to our existing customers which were denominated in US dollar, majority of our sales were denominated in US$ instead of EUR. Accordingly, the functional currency of the Group was changed to US$ from EUR. As the exchange rate of US$ against HK$ is relatively stable, our Directors considered the effect of foreign exchange fluctuation will be mitigated and the effect of fluctuation of foreign currency to be insignificant to the Group in the future. For further details, please refer to note 1 to the Accountants' Report set out in Appendix I to this document.

Gross Profit and Gross Profit Margin by Customer Type

The table below sets forth a breakdown of gross profit and gross profit margin by customer type for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	HK$'000	*Gross Profit Margin %*	*HK$'000*	*Gross Profit Margin %*	*HK$'000*	*Gross Profit Margin %*
Apparel sourcing agent	25,471	34.9%	11,504	43.2%	16,737	34.1%
Department store	6,749	33.2%	5,544	53.4%	5,225	54.4%
Boutique shop	4,840	27.8%	4,353	48.3%	4,570	36.0%
	37,060	33.4%	21,401	46.5%	26,532	37.2%

The gross profit margin for each customer types generally increased from the year ended 31 December 2015 to the year ended 31 December 2016 and decreased during the year ended 31 December 2017 due to the reasons as described above. The gross profit margin of department store for the year ended 31 December 2017 were relatively higher than boutique shop and apparel sourcing agents as our department store customers, who were the leading department stores in Germany, purchased more high-end cashmere products from us with higher percentage of cashmere. With products of more sophisticated design, the average selling price and profitability were higher. The average selling prices of such products were above EUR40 (or equivalent to approximately HK$380).

Other Income

The following table sets out a breakdown of our other income for the years indicated:

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Financial guarantee income	29,852	27,986	21,548
Sample sales income	151	101	721
Bank interest income	732	1	1
Sundry income	12	168	—
	30,747	28,256	22,270

Our financial guarantee income represented the income resulting from the decrease in the initial fair value in respect of the financial guarantee we provided in favour of certain related parties throughout the years. A subsidiary of our Company entered into certain bank facilities agreements, under which such subsidiary, together with the companies controlled by Mr. Murray Ko, provided cross-guarantee to the relevant banks. The fair value of the financial guarantee was calculated based on credit spread and the maximum exposure of the facility to our Group. As our Group provided cross financial guarantee in favour of banks for bank loans of certain related companies, such arrangement resulted in a financial guarantee liability recognised at fair value at initial recognition (i.e. if the related companies acting as borrowers fail to fulfill their repayment and other obligations owed to the banks in relation to the bank loans, our Group as guarantor would be liable to repay such banks for the borrowers in relation to the financial guarantee provided). Such financial guarantee liability will be amortised over the term of the financial guarantee contract and be recognised as financial guarantee income. Such financial guarantee provided by our Group to related companies will be released upon [REDACTED] and did not expect to incur after [REDACTED]. As a result, we will not recognise any financial guarantee income after [REDACTED].

Sample sales income represented the income received from our customers for the sale of product samples. Bank interest income mainly represented interest derived from bank deposits.

Other Gains and Losses

The following table sets out a breakdown of our other gains and losses for the years indicated:

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Net gain on structured foreign currency forward contracts	1,396	2,341	(70)
Net foreign exchange gain (loss)	2,577	2,459	(739)
	3,973	4,800	(809)

Net gain on structured foreign currency forward contracts represented our gain generated under the structured foreign currency forward contracts we entered into. For further details of the structured foreign currency forward contracts, please refer to note 16 to the Accountants' Report set out in Appendix I of this document.

Our net foreign exchange gain/loss represents the gain or loss resulted from fluctuations in the exchange rate of the foreign currency incurred in our operation as our sales are denominated in EUR or US$ while our cost of purchases are mainly denominated in US$ or RMB. Following the change in functional currency to US$ during the year ended 31 December 2017, our Directors estimated that the effect of foreign exchange gain/loss to be insignificant to the Group in the future.

Selling and Distribution Expenses

The following table sets out a breakdown of our selling and distribution expenses for the years indicated:

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Staff costs	204	—	1,704
Customer service fee	753	803	1,791
Freight and transportation cost	3,770	1,799	1,150
Travelling expenses	1,050	186	698
Design fee	3,212	468	543
Sample development cost	709	553	117
Others	339	181	65
	10,037	3,990	6,068

Our selling and distribution expenses mainly represented staff costs, customer service fee, freight and transportation cost, travelling expenses, design fee and other selling and distribution expenses of our sales and sourcing team. Our selling and distribution expenses amounted to HK$10.0 million, HK$4.0 million and HK$6.1 million for the years ended 31 December 2015, 2016 and 2017, respectively.

The decrease in selling and distribution expenses from HK$10.0 million for the year ended 31 December 2015 to HK$4.0 million for the year ended 31 December 2016, was primarily due to decreases in freight and transportation costs and travelling expenses as a result of decreased sales from the year ended 31 December 2015 to the year ended 31 December 2016. Design fee represented the fee we paid to our external design consultants. We pay our design consultants a fixed fee and an incentive fee based on a percentage of our total sales if actual sales exceed our sales target of the year. Our design fee decreased from HK$3.2 million for the year ended 31 December 2015 to HK$0.5 million for the year ended 31 December 2016 as no incentive was paid out as a result of decreased sales during the year.

Our selling and distribution expenses increased from HK$4.0 million for the year ended 31 December 2016 to HK$6.1 million for the year ended 31 December 2017, primarily due to an increase in (i) customer service fee we paid to Task as the percentage of commission was increased; and (ii) salaries

and wages of our sales and sourcing team of HK$1.7 million for the year ended 31 December 2017. Subsequent to the termination of the Management Arrangement and effective from 1 January 2017, we have borne the staff costs of our staff and the portion of staff costs of our sales and sourcing team were classified as selling and distribution expenses. Please refer to the paragraph headed "— Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income — Administrative Expenses — Management Fee" of this section for further details.

Administrative Expenses

The following table sets out a breakdown of our administrative expenses for the years indicated:

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Staff costs	63	—	2,252
Professional fees	74	348	644
Amortisation of intangible assets	—	—	417
Management fee	2,908	4,174	—
Others	944	197	908
	3,989	4,719	4,221

Our administrative expenses mainly represented staff costs, professional fees, amortisation of intangible assets, management fee and others which include depreciation charge, rent and rates and other administrative expenses.

Staff costs mainly represented our Directors' remuneration for the year ended 31 December 2017 and our salaries and wages of our administrative staff. Professional fees represented audit fees and other company secretarial services fees.

Management Fee

The following table sets out a breakdown of our management fee for the years indicated:

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Staff costs	1,858	3,188	—
Rent and rates	641	652	—
Depreciation	106	64	—
Others	303	270	—
	2,908	4,174	—

We paid management fee to Meridian for the management and administrative services provided to us. Management fee mainly represented staff costs, rent and rates, depreciation charge and other expenses and was calculated based on the actual expenses and costs incurred (exclude the direct expenses incurred solely for the benefit of Meridian) and apportioned based on the average headcount of the two companies. Staff costs increased from HK$1.9 million for the year ended 31 December 2015 to HK$3.2 million for the year ended 31 December 2016, mainly because (i) the management fee in 2016 was for the whole year, as compared to the management fee in 2015 which was for only a nine-month period of that year; and (ii) an increase in the average number of staff members designated to work for Vision Garments in the year ended 31 December 2016. The Management Arrangement was terminated on 31 December 2016. Please refer to section headed "Business — Employees" in this document for further details.

Finance Costs

Our finance costs represented interest expenses incurred for our bank borrowings.

Income Tax Expense

Our Group was subject to income tax on an entity basis on profit arising in or derived from the jurisdiction in which members of our Group domicile or operate. Our income tax expense represented the tax provisions made by our Group with reference to the assessable profits of relevant year.

Cayman Islands and BVI

Our Group was not subject to any income tax in the Cayman Islands or BVI during the Track Record Period.

Hong Kong

Our Group was subject to a tax rate of 16.5% during the Track Record Period on the assessable profits arising in or derived from Hong Kong.

Our income tax expense was HK$3.6 million, HK$2.3 million and HK$2.7 million for the years ended 31 December 2015, 2016 and 2017, respectively. For the years ended 31 December 2015, 2016 and 2017, our effective tax rate was 6.3%, 5.2% and 10.8%, respectively. During the Track Record Period, our effective tax rate was lower than the applicable statutory tax rate of 16.5%, mainly due to the non-taxable income in relation to financial guarantee income.

During the Track Record Period and up to the Latest Practicable Date, we had fulfiled all our tax obligations and did not have any unresolved tax disputes.

YEAR TO YEAR COMPARISON OF THE RESULTS OF OPERATIONS

Year Ended 31 December 2017 Compared to Year Ended 31 December 2016

Revenue

Our overall revenue increased by HK$25.4 million, or by 55.2%, from HK$46.0 million for the year ended 31 December 2016 to HK$71.4 million for the year ended 31 December 2017. The increase in revenue was primarily attributable to (i) the increase in sales from our existing customers located in Germany from HK$46.0 million for the year ended 31 December 2016 to HK$64.6 million for the year ended 31 December 2017; (ii) our expansion into French and Hong Kong apparel market with sales to Rodier, Sidefame Limited and ZAPA amounted to HK$6.2 million for the year ended 31 December 2017; and (iii) our sales under the Brands for the year ended 31 December 2017 of HK$9.6 million.

Cost of Sales

Our cost of sales increased by HK$20.3 million, or by 82.3%, from HK$24.6 million for the year ended 31 December 2016 to HK$44.9 million for the year ended 31 December 2017. The increase in cost of sales was attributable to an increase in purchase cost of finished goods for the year ended 31 December 2017 as compared to that for the year ended 31 December 2016 as a result of an increase in sales volume of knitwear products.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by HK$5.1 million, or by 24.0%, from HK$21.4 million for the year ended 31 December 2016 to HK$26.5 million for the year ended 31 December 2017. Our gross profit margin decreased from 46.5% for the year ended 31 December 2016 to 37.2% for the year ended 31 December 2017 mainly due to stabilisation of cashmere price.

Other Income

Our other income decreased by HK$6.0 million, or by 21.2%, from HK$28.3 million for the year ended 31 December 2016 to HK$22.3 million for the year ended 31 December 2017, mainly due to a decrease in financial guarantee income recognised for the year ended 31 December 2017.

Other Gains and Losses

Our other gains was HK$4.8 million for the year ended 31 December 2016, and we recorded other losses of HK$0.8 million for the year ended 31 December 2017, mainly due to an increase in net foreign exchange loss recognised as a result of fluctuations between EUR and HK$ during the year ended 31 December 2017. Following the change in functional currency to USD during the year ended 31 December 2017, our Directors estimated that the effect of foreign currency to be insignificant to the Group in the future.

Selling and Distribution Expenses

Our selling and distribution expenses increased by HK$2.1 million, or by 52.1%, from HK$4.0 million for the year ended 31 December 2016 to HK$6.1 million for the year ended 31 December 2017. Such increase was mainly due to increase in customer service fee we paid to Task and the recognition of staff cost of HK$1.7 million subsequent to the termination of the Management Arrangement effective from 1 January 2017. The portion of staff costs of our sales and sourcing team were classified as selling and distribution expenses subsequent to the termination of the Management Arrangement.

Administrative Expenses

Our administrative expenses decreased by HK$0.5 million, or by 10.6%, from HK$4.7 million for the year ended 31 December 2016 to HK$4.2 million for the year ended 31 December 2017. The decrease was mainly due to the termination of the Management Arrangement effectively from 1 January 2017 and part of the staff costs were classified as selling and distribution expenses.

[REDACTED]

Our Group incurred one-off [REDACTED] of HK$[REDACTED] million for the year ended 31 December 2017.

Finance Costs

Our finance costs decreased by HK$0.1 million, or by 26.3%, from HK$0.5 million for the year ended 31 December 2016 to HK$0.4 million for the year ended 31 December 2017. This was mainly due to a decrease in average bank borrowing balance of our Group.

Income Tax Expenses

Our income tax expenses increased by HK$0.4 million, or by 16.8%, from HK$2.3 million for the year ended 31 December 2016 to HK$2.7 million for the year ended 31 December 2017. The effective tax rate increased from 5.2% for the year ended 31 December 2016 to 10.8% for the year ended 31 December 2017. The increase in effective tax rate was resulted from the non-deductible [REDACTED] expenses.

Our effective tax rate was lower than the Hong Kong profit tax rate of 16.5% mainly due to our financial guarantee income were not taxable for Hong Kong profit tax purpose.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit decreased by HK$20.4 million, or by 47.6%, from HK$42.9 million for the year ended 31 December 2016 to HK$22.5 million for the year ended 31 December 2017. Our net profit margin decreased from 93.2% for the year ended 31 December 2016 to 31.5% for the year ended 31 December 2017. The decrease in net profit and net profit margin was mainly due to the [REDACTED] of HK$[REDACTED] million recognised for the year ended 31 December 2017.

Excluding the [REDACTED] and financial guarantee income, our adjusted profit for the year decreased by HK$1.9 million, or by 12.5%, from HK$14.9 million for the year ended 31 December 2016 to HK$13.0 million for the year ended 31 December 2017. Our adjusted net profit margin decreased from 32.4% for the year ended 31 December 2016 to 18.3% for the year ended 31 December 2017. The decrease in adjusted net profit and adjusted net profit margin was mainly due to the decrease in net gain on structured foreign currency forward contract and net foreign exchange gain as (i) our functional currency was changed to US dollars during the year ended 31 December 2017 as a majority of our sales were denominated in US dollars during the year ended 31 December 2017; and (ii) we entered into less structured foreign currency forward contract during the year ended 31 December 2017 following the change in functional currency.

Year Ended 31 December 2016 Compared to Year Ended 31 December 2015

Revenue

Our overall revenue decreased by HK$64.8 million, or by 58.5%, from HK$110.8 million for the year ended 31 December 2015 to HK$46.0 million for the year ended 31 December 2016. The decrease in our revenue was mainly due to (i) the decrease in sales to Task from HK$27.2 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016 (the sales to Task in 2015 represented 24.5% of our total sales for the year ended 31 December 2015); (ii) as part of our strategy to focus our resources on our key customers in Germany, we gradually ceased to supply products to our small customers and our aggregate sales amount to small customers decreased by HK$17.9 million (such decrease amounted to 16.1% of our total sales for the year ended 31 December 2015), from HK$20.1 million for the year ended 31 December 2015 to HK$2.2 million for the year ended 31 December 2016; and (iii) the loss of two major customers, who were apparel sourcing agents, due to the Group developed and produced less collections of apparel products following the cessation of business with Task. Sales to these two major customers decreased by HK$15.4 million (such decrease amounted to 13.9% of our total sales for the year ended 31 December 2015), from HK$19.2 million for the year ended 31 December 2015 to HK$3.8 million for the year ended 31 December 2016.

Cost of Sales

Our cost of sales decreased by HK$49.2 million, or by 66.6%, from HK$73.8 million for the year ended 31 December 2015 to HK$24.6 million for the year ended 31 December 2016. The decrease in cost of sales was mainly due to (i) a decrease in purchases cost of finished goods resulting from a decrease in sales from the year ended 31 December 2015 to the year ended 31 December 2016; and (ii) a decrease in purchase cost as a result of a decrease in raw materials cost, primarily cost of cashmere.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by HK$15.7 million, or by 42.3%, from HK$37.1 million for the year ended 31 December 2015 to HK$21.4 million for the year ended 31 December 2016. Our gross profit margin increased from 33.4% for the year ended 31 December 2015 to 46.5% for the year ended 31 December 2016. The increase in gross profit margin was primarily due to (i) a decrease in the price of cashmere; (ii) an increase in the unit selling price of our products in anticipation of fluctuation between EUR and Hong Kong dollar at the time we confirm the price quotations with our customers; and (iii) appreciation of EUR against Hong Kong dollar throughout 2016, in particular May to July, when the final sales amounts were recorded in Hong Kong dollars.

Other Income

Our other income decreased by HK$2.5 million, or by 8.1%, from HK$30.7 million for the year ended 31 December 2015 to HK$28.3 million for the year ended 31 December 2016. Such decrease was mainly due to: (i) a decrease in financial guarantee income of HK$1.9 million, as a result of the amortisation of the financial guarantee income in relation to certain bank facilities; and (ii) a decrease in bank interest income of HK$0.7 million.

Other Gains and Losses

Our other gains and losses increased by HK$0.8 million, or by 20.8%, from HK$4.0 million for the year ended 31 December 2015 to HK$4.8 million for the year ended 31 December 2016, mainly due to an increase in net gain from structured foreign currency forward contracts.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by HK$6.0 million, or by 60.2%, from HK$10.0 million for the year ended 31 December 2015 to HK$4.0 million for the year ended 31 December 2016, mainly due to: (i) a decrease in freight and transportation costs; and (ii) a decrease in travelling expenses and design fee as a result of the decrease in sales.

Administrative Expenses

Our administrative expenses increased by HK$0.7 million, or by 18.3%, from HK$4.0 million for the year ended 31 December 2015 to HK$4.7 million for the year ended 31 December 2016, mainly due to an increase in management fee from HK$2.9 million for the year ended 31 December 2015 to HK$4.2 million for the year ended 31 December 2016. Such increase in management fee was mainly because (i) staff costs increased from the year ended 31 December 2015 to the year ended 31 December 2016 as the average number of staff members designated to work for Vision Garments increased during these two years; and (ii) the management fee in the year ended 31 December 2016 was for the whole year period as compared to the management fee in the year ended 31 December 2015 was for the nine-month period.

[REDACTED]

We did not incur any [REDACTED] for the years ended 31 December 2015 and 2016.

Finance Costs

Our finance costs decreased by HK$0.3 million, or by 39.2%, from HK$0.9 million for the year ended 31 December 2015 to HK$0.5 million for the year ended 31 December 2016, mainly due to a decrease in average bank borrowings balance of our Group.

Income Tax Expenses

Our income tax expenses decreased by HK$1.2 million, or by 34.5%, from HK$3.6 million for the year ended 31 December 2015 to HK$2.3 million for the year ended 31 December 2016. The decrease in income tax expenses was mainly due to a decrease in profit before tax, resulting from a decrease in sales. Our effective tax rate was 6.3% for the year ended 31 December 2015 and 5.2% for the year ended 31 December 2016. Our effective tax rate for these two years was lower than the Hong Kong profit tax rate of 16.5%, as certain of our income, mainly financial guarantee income, was not taxable for Hong Kong profit tax purpose.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year decreased by HK$10.4 million, or by 19.6%, from HK$53.3 million for the year ended 31 December 2015 to HK$42.9 million for the year ended 31 December 2016. Our net profit margin increased from 48.1% for the year ended 31 December 2015 to 93.2% for the year ended 31 December 2016. The increase in net profit margin was mainly attributable to the financial guarantee income of HK$28.0 million recognised during the year.

Excluding the financial guarantee income, our adjusted profit for the year decreased by HK$8.6 million, or by 36.5%, from HK$23.5 million for the year ended 31 December 2015 to HK$14.9 million for the year ended 31 December 2016 due to the decrease in sales. Our adjusted net profit margin increased from 21.2% for the year ended 31 December 2015 to 32.4% for the year ended 31 December 2016, which was mainly due to an increase in gross profit margin.

NET CURRENT ASSETS

The following table sets forth a breakdown of our current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 December			As at 28 February
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
CURRENT ASSETS				
Financial assets at fair value through profit or loss	248	—	—	—
Goods in transit	2,680	448	926	—
Trade and other receivables, prepayments and deposits	4,284	6,807	13,595	18,084
Amount due from controlling shareholder	30,958	22,681	—	—
Amount due from a related company	3,889	—	—	—
Amount due from ultimate holding company	—	—	8	—
Tax recoverable	3,058	7,922	6,466	7,050
Bank balances and cash	48,345	25,691	23,767	21,020
	93,462	63,549	44,762	46,154
CURRENT LIABILITIES				
Trade and other payables	11,366	6,102	9,090	8,210
Amount due to a related company	434	3,261	—	—
Bank borrowings — due within one year	37,511	12,978	6,800	9,910
Financial guarantee liability	21,337	18,448	816	—
	70,648	40,789	16,706	18,120
NET CURRENT ASSETS	22,814	22,760	28,056	28,034

Our net current assets was HK$22.8 million, HK$22.8 million, HK$28.1 million and HK$28.0 million as at 31 December 2015, 2016 and 2017 and 28 February 2018, respectively. Our current assets mainly consisted of bank balances and cash, amount due from controlling shareholder, trade and other receivables, prepayments and deposits, and tax recoverable. The trade and other receivables, prepayments and deposits increased from HK$13.6 million as at 31 December 2017 to HK$18.8 million as at 28 February 2018 mainly due to increase in prepayment to suppliers to secure their production from March to June in 2018. The amount due from controlling shareholder decreased from HK$31.0 million as at 31 December 2015 to HK$22.7 million as at 31 December 2016, and further to nil as at 31 December 2017, primarily due to the repayment from the Controlling Shareholder. The decrease in bank balances and cash from HK$48.3 million as at 31 December 2015 to HK$25.7 million as at 31 December 2016, was mainly due to the repayment of bank borrowings.

Our current liabilities mainly consisted of bank borrowings, financial guarantee liability, trade and other payables and amount due to a related company. Financial guarantee liability decreased from HK$21.3 million as at 31 December 2015 to HK$18.4 million as at 31 December 2016, and further to HK$0.8 million as at 31 December 2017, mainly due to amortisation of financial guarantee liability. Bank borrowings decreased from HK$37.5 million as at 31 December 2015 to HK$13.0 million as at 31 December 2016, and further to HK$6.8 million as at 31 December 2017, mainly due to repayment of bank borrowings. Bank borrowings increased from HK$6.8 million as at 31 December 2017 to HK$9.9 million as at 28 February 2018, mainly due to new bank borrowings to fund our working capital needs. Trade and other payables decreased from HK$11.4 million as at 31 December 2015 to HK$6.1 million as at 31 December 2016, mainly due to a decrease in purchase costs as a result of reduced product sales in 2016. Trade and other payables increased to HK$9.1 million as at 31 December 2017 as a result of our increased sales and purchases in 2017.

DESCRIPTION ON MAJOR COMPONENTS OF STATEMENTS OF FINANCIAL POSITION

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss represented the fair value of structured foreign currency forward contracts of EUR and USD as at 31 December 2015. For details, please refer to note 16 to the Accountants' Report set out in Appendix I to this document.

Goods in Transit

Our goods in transit comprised finished goods manufactured by our suppliers in transit to our customers under DDP terms and before they were received by the customers. Upon receipt of the goods by the customers, the title of and risks in relation to the finished goods pass to the customers and our revenue is recognised. Our goods in transit amounted to HK$2.7 million, HK$0.4 million and HK$0.9 million as at 31 December 2015, 2016 and 2017, respectively. Our goods in transit decreased by HK$2.2 million, or 83.3%, from HK$2.7 million as at 31 December 2015 to HK$0.4 million as at 31 December 2016 and remained stable at HK$0.9 million as at 31 December 2017, primarily because most of the finished apparel products had been delivered to our customers as at 31 December 2016 and 2017 in accordance with the relevant delivery schedules.

Trade and Other Receivables, Prepayments and Deposits

The following table sets out the breakdown of our trade and other receivables prepayments and deposits as at the dates indicated:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	3,694	6,807	8,691
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepayments	—	—	1,201
Other receivables	590	—	—
	4,284	6,807	13,595

During the Track Record Period, our trade receivables primarily represented the outstanding amounts receivable from our customers. Prepayments represented our prepaid purchase cost.

Our trade receivables increased by HK$3.1 million, or by 84.3%, from HK$3.7 million as at 31 December 2015 to HK$6.8 million as at 31 December 2016 as the result of (i) delayed settlement from a customer; and (ii) the delivery of finished apparel products in December 2016 which remained unsettled as at year end. Trade receivables further increased from HK$6.8 million as at 31 December 2016 to HK$8.7 million as at 31 December 2017 which was in line with the increased in sales. Under our business model, product delivery and sales are mainly made during October to December each year and the trade receivables balance as at 31 December 2017 represented the amount of sales in November and December 2017 remained unsettled. The increase in prepayments to HK$1.2 million as at 31 December 2017 was mainly resulted from prepayments to our suppliers in December 2017 in order to secure their production of apparel products from January to March in 2018.

Ageing Analysis of Trade Receivables

The following table sets out the ageing analysis of our trade receivables based on the invoice dates at the end of each reporting period:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables:			
1 to 30 days	—	4,229	5,687
31 to 60 days	1,178	721	2,031
61 to 90 days	—	—	13
Over 90 days	2,516	1,857	960
	3,694	6,807	8,691

As at the Latest Practicable Date, 89.0% of our trade receivables balance as at 31 December 2017 had been settled.

We closely monitor the credit quality of trade receivables and consider the debts that are neither past due nor impaired to be of a good credit quality. Trade receivables that were neither past due nor impaired related to certain customers for whom there was no history of default.

Our trade receivables balance are debts with aggregate carrying amounts of HK$2.3 million, HK$1.9 million and HK$2.1 million as at 31 December 2015 and 31 December 2016 and 31 December 2017, respectively, which were past due at the ends of the relevant periods for which we have not provided for impairment loss because we considered such balances could be recovered based on historical experience. We do not hold any collateral over these balances.

For long-term customers with good credit quality and payment history, we allows credit periods of not longer than 120 days. For other customers, we demand full settlements upon delivery of goods. The following table sets out our trade receivables turnover days during the Track Record Period:

	Year ended 31 December		
	2015	**2016**	**2017**
Trade receivables turnover days	23.0	41.8	39.6

Note: Average turnover days of trade receivables is derived from dividing the arithmetic mean of the opening and closing balances of trade receivables by revenue and multiplying by 365 days or 366 days, where appropriate.

Our trade receivables turnover days increased from 23.0 days for the year ended 31 December 2015 to 41.8 days for the year ended 31 December 2016, and remained relatively stable at 39.6 days for the year ended 31 December 2017. The increase in trade receivables turnover days was mainly due to an increase in trade receivables balances as at 31 December 2016.

Trade and Other Payables

The following table sets forth our trade and other payables as at the dates indicated:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	8,743	3,225	1,668
Accrued [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accrued expenses	1,402	1,961	837
Deposits received	75	—	194
Other payables	1,146	916	1,424
	11,366	6,102	9,090

Our trade payables mainly represented the outstanding amounts of payables to our suppliers. Our trade payables decreased by HK$5.5 million, or by 63.1%, from HK$8.7 million as at 31 December 2015 to HK$3.2 million as at 31 December 2016, due to a decrease in purchase costs with our suppliers in the year ended 31 December 2016 as a result of a decrease in sales for that year. The trade payables balance further decreased to HK$1.7 million as at 31 December 2017 mainly due to settlements made to suppliers before year end.

Our accrued expenses mainly represented accrued commissions, accrued expenses and accrued interest. Our other payables mainly represented freight charges payable for the transportation of our finished apparel products to our customers. The decrease in accrued expenses from HK$2.0 million as at 31 December 2016 to HK$0.8 million as at 31 December 2017 was mainly due to settlement of our accrued commissions before year end.

Ageing Analysis of Trade Payables

An ageing analysis of our trade payables based on the invoice date as at 31 December 2015, 2016 and 2017 is as follows:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
1 to 30 days	2,000	2,719	489
31 to 60 days	3,394	326	1,179
61 to 90 days	2,357	180	—
Over 90 days	992	—	—
	8,743	3,225	1,668

During the Track Record Period, we were offered credit periods no longer than 30 days. The following table sets out our trade payables turnover days for the years ended 31 December 2015, 2016 and 2017:

	Year ended 31 December		
	2015	**2016**	**2017**
Trade payables turnover days	48.8	89.0	19.9

Note: Average turnover days of trade payables is derived from dividing the arithmetic mean of the opening and closing balances of trade payables by the cost of sales and multiplying by 365 days or 366 days, where appropriate.

Our trade payables turnover days increased from 48.8 days for the year ended 31 December 2015, to 89.0 days for the year ended 31 December 2016, primarily because the ending balance of trade payables as at 31 December 2015 was relatively high and the cost of sales for the year ended 31

December 2016 was relatively low as a result of a decrease in sales in 2016. Our trade payables turnover days decreased to 19.9 days for the year ended 31 December 2017, which was mainly due to a decrease in trade payables balance as at 31 December 2017 due to settlements made to suppliers before year end.

Our Directors confirmed that we had not materially defaulted or delayed in payment of our trade payables during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, 99.2% of our trade payables balances as at 31 December 2017 were subsequently settled.

Amount Due from/to a Related Company, Ultimate Holding Company and Controlling Shareholder

Amount due from a related company mainly represented short term advance to a related company. Amount due to a related company represented management fee payable to a related company as at 31 December 2015 and 2016, respectively. Amount due from controlling shareholder represented short term advance to the Controlling Shareholder. All balances with related parties and the Controlling Shareholder had been settled as at the Latest Practicable Date.

For more information on our related party balances, please refer to note 19 to the Accountants' Report set out in Appendix I to this document.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Resources

Our primary use of cash is to fund our operations, capital expenditure requirements, repayment of bank borrowings and payment of dividends. During the Track Record Period, our primary sources of funding are mainly from cash generated from our operations and short-term bank borrowings. After the [REDACTED], we expect to meet our working capital requirements, liquidity needs and our business development plans from cash generated from our operations, short-term bank borrowings and the additional equity financing.

Cash Flow of Our Group

The following table is a condensed summary of our consolidated statements of cash flows for the years indicated:

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Operating cash flows before movements in working capital	25,774	15,420	4,615
Net cash from (used in) operating activities	33,227	5,255	(746)
Net cash (used in) from investing activities	(18,139)	12,167	12,080
Net cash used in financing activities	(21,752)	(36,995)	(14,136)
Net decrease in cash and cash equivalents	(6,664)	(19,573)	(2,802)
Cash and cash equivalents at the beginning of the year	60,403	48,345	25,691
Effect of foreign exchange rate changes	(5,394)	(3,081)	878
Cash and cash equivalents at the end of the year	48,345	25,691	23,767

Net Cash Generated from (used in) Operating Activities

Our net cash generated from operating activities for the year ended 31 December 2015 was HK$33.2 million while our operating cash flows before movement in working capital was HK$25.8 million. The difference of HK$7.5 million was primarily attributable to (i) a decrease in trade and other receivables, prepayments and deposits of HK$6.0 million; (ii) a decrease in goods in transit of HK$5.4 million; and (iii) proceeds from settlement of structured foreign currency forward contracts of HK$1.6 million; which were partially offset by (i) a decrease in trade and other payables of HK$1.8 million; and (ii) payment of income tax of HK$3.8 million.

Our net cash generated from operating activities for the year ended 31 December 2016 was HK$5.3 million while our operating cash flows before movements in working capital was HK$15.4 million. The difference of HK$10.2 million was primarily attributable to (i) a decrease in trade and other payables of HK$5.3 million, as a result of a decrease in sales and a decrease in purchase costs from our suppliers; (ii) an increase in trade and other receivables, prepayments and deposits of HK$2.5 million, due to delayed payment from a customer and the delivery of apparel products before December 2016 remained unsettled; and (iii) the payment of income tax of HK$7.2 million; which were partially offset by (i) a decrease in goods in transit of HK$2.2 million as most of the finished products had been delivered to our customers as at 31 December 2016; and (ii) proceeds from settlement of structured foreign currency forward contracts of HK$2.6 million.

Our net cash used in operating activities for the year ended 31 December 2017 was HK$0.7 million, while our operating cash flows before movements in working capital was inflow of HK$4.6 million. The difference of HK$5.4 million was primarily attributable to (i) an increase in trade and other receivables, prepayments and deposits of HK$6.9 million as a result of our prepayment to suppliers and deferred [REDACTED]; (ii) an income tax paid of HK$0.9 million; and (iii) increase in goods in transit of HK$0.5 million, which were partially offset by (i) an increase in trade and other payables of HK$3.0 million due to the accrued [REDACTED]. Our negative operating cash flows before movements in working capital was mainly due to the [REDACTED] of HK$[REDACTED] million recognised.

Net Cash (Used in) From Investing Activities

Our net cash used in investing activities for the year ended 31 December 2015 was HK$18.1 million, primarily attributable to the net effect of advance to the Controlling Shareholder and a related company.

Our net cash from investing activities for the year ended 31 December 2016 was HK$12.2 million, which was the net repayment from the Controlling Shareholder and a related company.

Our net cash from investing activities for the year ended 31 December 2017 was HK$12.1 million, primarily attributable to the repayment from the Controlling Shareholder, which was partially offset by the acquisition of the Brands of HK$10.0 million.

Net Cash Used in Financing Activities

Our net cash used in financing activities for the year ended 31 December 2015 was HK$21.8 million, primarily attributable to (i) repayments of bank borrowings of HK$156.5 million; (ii) repayment to a related party of HK$4.0 million; and (iii) payment of dividends of HK$3.4 million; which were partially offset by (i) new bank borrowings of HK$138.8 million; and (ii) advance from a related company of HK$4.3 million.

Our net cash used in financing activities for the year ended 31 December 2016 was HK$37.0 million, which was primarily attributable to (i) repayments of bank borrowings of HK$111.7 million; and (ii) payment of dividends of HK$14.8 million; which were partially offset by (i) new bank borrowings of HK$87.2 million; and (ii) advance from a related company of HK$4.4 million.

Our net cash used in financing activities for the year ended 31 December 2017 was HK$14.1 million, primarily attributable to (i) repayment of bank borrowings of HK$49.1 million; (ii) payment of dividends of HK$4.3 million; and (iii) repayment to a related party of HK$3.3 million; which were partially offset by the new bank borrowings of HK$43.0 million.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, after due and careful enquiry and taking into account the financial resources available to us, including internally generated funds, the available banking facilities and the estimated [REDACTED] from the [REDACTED], our Group has sufficient working capital to satisfy the present requirements for our current operation and planned expansion, for at least the next 12 months from the date of this document.

INDEBTEDNESS

The following table sets out the breakdown of our bank borrowings as at the dates indicated:

	As at 31 December			As at 28 February
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured and unguaranteed bank borrowings	—	—	—	3,910
Secured and guaranteed bank borrowings	21,111	1,378	—	—
Unsecured and guaranteed bank borrowings	16,400	11,600	6,800	6,000
	37,511	12,978	6,800	9,910

The effective interest rate (which is also equal to contracted interest rate) on our Group's borrowings is ranging from 1.40% to 2.57% per annum, 2.57% to 2.92% per annum and 2.71% to 2.96% per annum as at 31 December 2015, 2016 and 2017, respectively.

Our secured bank borrowings are secured by assets held by our Group or related parties. Our guaranteed bank borrowings are guaranteed by related parties and the Government of the Hong Kong Special Administrative Region and the Hong Kong Mortgage Corporation Limited. Please refer to note 22 to the Accountants' Report set out in Appendix I to this document. Such personal guarantee, corporate guarantee and securities provided by related parties will be released upon the [REDACTED].

As at the Latest Practicable Date, we did not have any unutilised banking facilities. We confirm that as at the date of this document, we have not decided to raise any material external debt financing, other than those already discussed in this section.

Financial Guarantee Liability

Our Group and certain companies controlled by Mr. Murray Ko and his spouse entered into several banking facilities agreements and cross guarantees were provided by our Group and such companies of Mr. Murray Ko and his spouse. The estimated fair value of the financial guarantee was recognised as financial guarantee liability with the equivalent amount charged to equity as shareholder distribution at the agreement date. The financial guarantee income was recognised in profit or loss over the term of agreement. The financial guarantee liabilities were all denominated in Hong Kong dollar. For further information about our financial guarantee liability, please refer to note 23 to the Accountants' Report set out in Appendix I to this document. As at 28 February 2018, such banking facilities amounted to approximately HK$402.1 million, and such financial guarantee provided by our Group to related companies will be released upon the [REDACTED].

Contingent Liabilities

As at the Latest Practicable Date, we were not aware of any pending or potential material legal proceedings involving our Group, or to our Directors' knowledge, threatened against us which could have a material adverse effect on our business or operations.

Save as disclosed in note 23 to the Accountants' Report set out in Appendix I to this document and above, as at 28 February 2018, being the latest practicable date for the preparation of the indebtedness statement, our Group did not have any other outstanding loan capital issued or authorised to be issued but unissued, any debt securities issued and outstanding or authorised to be issued but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities. As at the Latest Practicable Date, our Group did not have any external financing plans.

RELATED PARTY TRANSACTION

During the Track Record Period, we had certain related party transactions. These transactions were conducted in accordance with terms as agreed between us and the respective related parties. We confirm that all related party transactions during the Track Record Period were conducted in the ordinary course of business, on normal commercial terms and on terms comparable to those offered by Independent Third Parties.

For more information on our related party transactions, please refer to note 19 and note 27 to the Accountants' Report set out in Appendix I to this document.

COMMITMENTS

Capital Expenditure

During the Track Record Period, we did not incur any capital expenditure.

Capital Commitments

We had no material capital commitments as at 31 December 2015, 2016 and 2017.

Operating Lease Commitments

As Lessee

Our operating lease payments represent rentals payable by us for the office. The lease is negotiated for a term of two years with fixed monthly rental. None of the lease includes contingent rentals.

The below table sets out our total future minimum lease commitments under non-cancellable operating leases falling due as at the dates indicated:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	—	—	279
In the second to fifth years inclusive	—	—	47
Total	—	—	326

[REDACTED]

Assuming an [REDACTED] of HK$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per Share, the total estimated [REDACTED] in connection with the [REDACTED] (including [REDACTED] commission) was HK$[REDACTED] million.

For the years ended 31 December 2015, 2016 and 2017, [REDACTED] of [REDACTED], [REDACTED] and HK$[REDACTED] million, respectively, were recognised as expense in the consolidated statement of profit or loss. For the year ending 31 December 2018, we estimate that the [REDACTED] of HK$[REDACTED] million will be recognised as expense in the consolidated statement of profit or loss and HK$[REDACTED] million will be capitalised upon the [REDACTED] under the relevant accounting standards.

DIVIDENDS AND DISTRIBUTABLE RESERVES

A subsidiary of our Company declared dividends of HK$3.4 million, HK$14.8 million and HK$4.3 million for the years ended 31 December 2015, 2016 and 2017, respectively to its shareholder. Please refer to note 12 to the Accountants' Report set out in Appendix I to this document for further details.

Our Company was incorporated in the Cayman Islands on 19 January 2017. In April 2018, our Company declared dividends of HK$6.5 million to the then Shareholder, which has been settled in full by cash through our internal resources. Subject to the Companies Law and the Articles, our Company may declare dividends in any currency, but no dividend shall be declared in excess of the amount recommended by our Board. We did not have any dividend policy as at the Latest Practicable Date. The declaration and payment of dividends and the amount of dividends in the future will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. There were no distributable reserves of our Company available for distribution to our Shareholders as at the Latest Practicable Date.

KEY FINANCIAL RATIOS

		Year ended 31 December		
	Notes	**2015**	**2016**	**2017**
Return on equity	*1*	203.8%	188.1%	74.1%
Return on total assets	*2*	55.7%	54.6%	37.9%
Interest coverage ratio (times)	*3*	65.1	84.9	64.5

		As at 31 December		
	Notes	**2015**	**2016**	**2017**
Current ratio (times)	*4*	1.3	1.6	2.7
Gearing ratio	*5*	164.3%	57.0%	17.9%
Debt to equity ratio	*6*	N/A	N/A	N/A

Notes:

1. Return on equity for each of the years ended 31 December 2015, 2016 and 2017 was calculated based on the net profit of the respective year divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.

2. Return on total assets for each of the years ended 31 December 2015, 2016 and 2017 was calculated based on the net profit of the respective year divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.

3. Interest coverage ratio was calculated by dividing profit before interest and tax by the finance cost for each of the years ended 31 December 2015, 2016 and 2017.

4. Current ratio was calculated by dividing total current assets by total current liabilities as at 31 December 2015, 2016 and 2017.

5. Gearing ratio was calculated by dividing total debts (excluding financial guarantee liabilities) by total equity as at 31 December 2015, 2016 and 2017.

6. Debt to equity ratio was calculated by the net debt (all borrowings net of bank balances and cash) divided by the total equity as at 31 December 2015, 2016 and 2017 and multiplied by 100%.

Return on Equity

Return on equity decreased from 203.8% for the year ended 31 December 2015 to 188.1% for the year ended 31 December 2016, primarily due to a decrease in net profit from the year ended 31 December 2015 to the year ended 31 December 2016. Return on equity further decreased to 74.1% for the year ended 31 December 2017, primarily due to a decrease in net profit for the year ended 31 December 2017 as our Group recognised [REDACTED] of HK$[REDACTED] million during that year.

Return on Total Assets

Return on total assets decreased from 55.7% for the year ended 31 December 2015 to 54.6% for the year ended 31 December 2016 primarily due to the combined effect of a decrease in net profit from the year ended 31 December 2015 to the year ended 31 December 2016 and a decrease in total asset as a result of decrease in cash and bank balances after the repayment of bank borrowings in 2016. Return on total assets further decreased to 37.9% for the year ended 31 December 2017, primarily due to the decrease in net profit for the year ended 31 December 2017 as a result of the recognition of [REDACTED] of HK$[REDACTED] million.

Interest Coverage Ratio

Interest coverage ratio increased from 65.1 times for the year ended 31 December 2015 to 84.9 times for the year ended 31 December 2016, primarily due to a decrease in finance costs as a result of the decrease in average bank borrowings balance.

Interest coverage ratio decreased to 64.5 times for the year ended 31 December 2017, mainly due to the decrease in net profit for the year ended 31 December 2017.

Current Ratio

Our current ratio remained relatively stable at 1.3 times and 1.6 times as at 31 December 2015 and 2016, respectively.

Our current ratio increased to 2.7 times as at 31 December 2017 mainly due to the decrease in bank borrowings and financial guarantee liability.

Gearing Ratio

Gearing ratio decreased from 164.3% as at 31 December 2015 to 57.0% as at 31 December 2016 and further decrease to 17.9% as at 31 December 2017 primarily due to the repayment of bank borrowings.

Debt to Equity Ratio

We had net cash positions as at 31 December 2015, 2016 and 2017.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Our major financial instruments include trade receivables, other receivables and deposits, amount due from controlling shareholder, bank balances and cash, trade and other payables, amount due from/to a related company, bank borrowings and financial guarantee liability.

The risks associated with these financial instruments include market risks (interest rate risk and currency risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market Risk

Interest Rate Risk

We are exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. Our cash flow interest rate risk is mainly concentrated on the fluctuations of the Hong Kong Interbank Offered Rate ("**HIBOR**").

Currency Risk

Certain trade receivables, other receivables and deposits, amount due from controlling Shareholder, bank balances and cash, trade and other payables, amount due to a related company, bank borrowings and financial guarantee liability of our Group and other receivables, other payables of our Company are denominated in foreign currency of the respective group entities which are exposed to foreign currency risk.

During the two years ended 31 December 2016, we regarded EUR as our functional currency. However, following the referendum in which the majority of the participating electorates in the United Kingdom voted for the United Kingdom exiting the EU (the "**Brexit**") in June 2016, the volatility of EUR increased. The exchange rate between Hong Kong dollar and EUR decreased from HK$8.72 to EUR1 before the Brexit to the lowest rate of HK$8.19 to EUR1 in December 2016 after the Brexit. In order to mitigate the uncertainty of the exchange rate and reduce the effect of fluctuation in the exchange rate between EUR and Hong Kong dollar, the Group quoted and sold its products only in US dollar to the new customers developed starting from the second half of 2016 as (i) Hong Kong dollar is pegged to US dollar and the exchange rate between Hong Kong dollar and US dollar remained relatively stable; and (ii) US dollar is widely accepted in international trade as a primary settlement currency. As a result of the increase in sales to these customers, together with the sales to existing customers which were denominated in US dollar, a majority of our sales were denominated in US dollars for the year ended 31 December 2017.

According to the relevant accounting standards, the functional currency of an entity's financial statements shall be the currency of the primary economic environment in which the entity operates. The primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash.

As a result of the above, during the year ended 31 December 2017, our Directors reconsidered and determined that the functional currency of our Company should be changed from EUR to US dollar in order to better reflect the currency that mainly influences the development of the business activities of our Company, given the fact that a majority of the actual sales recorded by our Group were denominated in US dollar. Please refer to note 1 to the Accountants' Report set out in Appendix I to this document for further details.

The carrying amounts of our foreign currency denominated monetary assets and liabilities other than those denominated in the functional currency of entities within our Group at the end of each reporting period are as follows:

	The Group As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Assets			
HK$	31,131	22,932	1,167
US$	50,388	28,349	N/A
RMB	1,605	100	937
EUR	N/A	N/A	4,292
Liabilities			
HK$	38,308	34,722	13,909
US$	10,782	4,575	N/A
RMB	812	1	15
EUR	N/A	N/A	682

As our functional currency was EUR for the years ended 31 December 2015 and 2016 and US$ for the year ended 31 December 2017, we had no EUR denominated monetary assets and liabilities as at 31 December 2015 and 2016 and no US$ denominated monetary assets and liabilities as at 31 December 2017.

Our Directors consider that our Group is exposed to the currency risk on fluctuation of HK$, US$ and RMB for each of two 31 December 2015 and 2016 and on fluctuation of HK$, RMB and EUR for the year ended 31 December 2017.

Based on the sensitivity analysis on the foreign currency risk exposure as set out in note 29 to the Accountants' Report in Appendix I to this document, in our management's opinion, the sensitivity analysis is unrepresentative of the foreign exchange risk inherent in the financial assets and financial liabilities as the year end exposure does not reflect the exposure during the year.

In addition, part of our sales and cost of sales are denominated in US$, which is pegged to HK$, as a result, the exchange exposure is not significant. In the meanwhile, our profitability may be affected by the exchange rate fluctuation between HK$ and EUR, which may have a direct impact on our revenue. Please refer to the paragraph headed "Sensitivity Analysis — Average Selling Price" in this section of the document for details. Furthermore, the exchange rate fluctuation between HK$ and RMB may have a direct impact on cost of sales, which is mainly derived from purchase cost. Please refer to the paragraph headed "Sensitivity Analysis — Purchase Costs" in this section of the document for further information.

Credit Risk

Other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, our maximum exposure to credit risk which will cause a financial loss to us arising from the amount of contingent liabilities in relation to financial guarantees provided by our Group as disclosed in note 23 to the Accountants' Report set out in Appendix I to this document.

As at 31 December 2015, 2016 and 2017, we had concentration of credit risk as 66.0%, 62.0% and 56.2%, respectively, of the total trade receivables due from our largest debtor. Our concentration of credit risk on the top five large debtors accounted for 100.0%, 100.0% and 95.7% of the total trade receivables as at 31 December 2015, 2016 and 2017, respectively. Our management considered the credit risk of amounts due from these customers is insignificant after considering their historical settlement records, credit qualities and financial positions of the counter parties.

Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of our short, medium and long-term funding and liquidity management requirements. We manage liquidity risk by monitoring and maintaining levels of cash and cash equivalents deemed adequate by the management to finance our operations and by mitigating the effects of fluctuations in cash flows.

HEDGING POLICY

We currently do not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

If, however, in future, the need for hedging significant foreign currency exposure arises, we will adopt proper internal control policies and procedures. Our Group has designated Mr. Cheng Ka Wing, our executive Directors and chief financial officer to monitor the exposure of foreign currency and to report to the Board should any need of hedging arises. We may engage external consultant to assist us to formulate hedging policy, where necessary.

SENSITIVITY ANALYSIS

Average Selling Price

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in average selling price on our profit before tax during the Track Record Period, as represented by changes in average selling price assuming all other factors affecting our profit remain unchanged. Fluctuations are assumed to be 1.0%, 3.0% and 5.0% during the Track Record Period, which we believe are reasonable and commensurate with the historical fluctuations of our selling prices.

	Decrease/Increase in our profit before tax Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Hypothetical fluctuation of average selling price			
Hypothetical increase/decrease of 1.0%	+/-1,108	+/-460	+/-714
Hypothetical increase/decrease of 3.0%	+/-3,325	+/-1,380	+/-2,142
Hypothetical increase/decrease of 5.0%	+/-5,542	+/-2,301	+/-3,570

Purchase Costs

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in purchase cost on our profit before tax during the Track Record Period, as represented by changes in purchase cost assuming all other factors affecting our profit remain unchanged. Fluctuations are assumed to be 1.0%, 3.0% and 5.0% during the Track Record Period, which we believe are reasonable and commensurate with the historical fluctuations of our purchase cost.

	Decrease/Increase in our profit before tax Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Hypothetical fluctuation of purchase cost			
Hypothetical increase/decrease of 1.0%	+/-701	+/-219	+/-427
Hypothetical increase/decrease of 3.0%	+/-2,102	+/-658	+/-1,281
Hypothetical increase/decrease of 5.0%	+/-3,504	+/-1,097	+/-2,135

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of our Group is prepared in accordance with Rule 7.31 of the GEM Listing Rules for illustrative purpose only, and is set out below to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2017 as if the [REDACTED] had taken place on that day.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2017 or at any future dates following the [REDACTED]. It is prepared based on the audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2017 as shown in the accountants' report on historical financial information as set out in Appendix I to this document and adjusted as described below.

	Audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2017 *HK$'000* *(Note 1)*	**Estimated [REDACTED] from the [REDACTED]** *HK$'000* *(Note 2)*	**Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2017** *HK$'000*	**Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2017 per Share** *HK$* *(Note 3)*
Based on [REDACTED] of HK$[REDACTED] per [REDACTED]	28,314	[REDACTED]	[REDACTED]	[REDACTED]
Based on [REDACTED] of HK$[REDACTED] per [REDACTED]	28,314	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. The audited consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2017 is based on the consolidated net assets of our Group attributable to owners of our Company of HK$37,897,000 and after the deduction of intangible assets of HK$9,583,000 as at 31 December 2017 as extracted from the Accountants' Report of our Group as set out in Appendix I to this document.

2. The estimated [REDACTED] from the [REDACTED] are based on [REDACTED] Shares to be issued at the [REDACTED] of HK$[REDACTED] per [REDACTED] and HK$[REDACTED] per [REDACTED], respectively, being the low-end and high-end of the indicative [REDACTED] range, respectively, after deduction of the estimated [REDACTED] (excluding approximately HK$[REDACTED] of [REDACTED] recognised in profit or loss up to 31 December 2017). It does not take into account of any shares which may be allotted and issued upon to the exercise of any options that may be granted in the paragraph headed "Share Option Scheme" under the section headed "Share Capital", or any shares which may be issued or repurchased by the Company as referred to in the paragraph headed "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" under the section headed "Share Capital" in this document, as the case may be.

3. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2017 is calculated based on [REDACTED] shares in issue immediately following the completion of the [REDACTED] and the [REDACTED]. It does not take into account any shares which may be allotted and issued upon the exercise of any option that may be granted in the paragraph headed "Share Option Scheme" under the section headed "Share Capital", or any shares which may be allotted and issued or repurchased by our Company as referred to in the paragraph headed "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" under the section headed "Share Capital" in this document, as the case may be.

4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2017 to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2017.

5. Assuming the dividends of HK$6,500,000 declared on 9 April 2018 had been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share would have been HK$[REDACTED] and HK$[REDACTED] at the [REDACTED] of HK$[REDACTED] and HK$[REDACTED], respectively, which is calculated based on [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED], taking into consideration the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 of HK$28,314,000, and adjusted for (i) the estimated [REDACTED] from the [REDACTED], and (ii) the declaration of dividends of HK$6,500,000.

DISCLOSURE REQUIRED UNDER RULE 17.15 TO RULE 17.21 OF THE GEM LISTING RULES

Our Directors confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rule 17.15 to Rule 17.21 of the GEM Listing Rules.

RECENT DEVELOPMENT

Subsequent to the Track Record Period, we have continued to extend our client base in the apparel SCM industry. From 31 December 2017 up to the Latest Practicable Date, we continued to develop our SCM business and recorded sales from our new and existing customers in Germany, France, Hong Kong and Austria.

Due to the nature of our operation, we experience seasonality and we usually record higher sales from May to July and from October to December. Based on the unaudited management accounts of our Group for the two months ended 28 February 2018, which have been reviewed by the Reporting Accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, our total revenue amounted to HK$7.3 million, which represented an increase of HK$3.2 million from HK$4.1 million for the two months ended 28 February 2017. As at the Latest Practicable Date, we received sales order on hand amounted to HK$66.5 million, out of which sales order on hand from two new customers in Austria which we engaged in 2018 amounted to HK$1.6 million, and sales order on hand from Rodier and ZAPA, which we engaged in 2017, amounted to HK$6.6 million and HK$7.3 million, respectively.

NO MATERIAL ADVERSE CHANGE

As disclosed in the paragraphs headed "— [REDACTED]" and "— Factors Affecting Our Financial Conditions and Results of Operations — Foreign Currency Exposure" in this section, our net profit for the year ending 31 December 2017 is expected to be affected by the estimated expenses in relation to the [REDACTED]. Our Directors have confirmed that save as disclosed in the subsections above-mentioned, up to the date of this document, there has been no material adverse change in our financial or trading position since 31 December 2017, the end of the period reported in the Accountants' Report as set out in Appendix I to this document, and there has been no event since 31 December 2017 which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this document.

BUSINESS OBJECTIVES AND STRATEGIES

We aim to expand our business to maintain and strengthen our market position by pursuing the following strategies:

- Continue our growth by solidifying our relationship with existing customers and exploring new customers
- Increase our geographic footprint to new apparel retail markets
- Set up a new showroom to showcase our product offerings
- Strengthen our design and development capabilities to develop new design collections
- Enhance our quality control process

Please see the section headed "Business — Our Business Strategies" in this document for a detailed discussion of our future plans.

[REDACTED]

[REDACTED]

The table below sets forth the estimated [REDACTED] of the [REDACTED] which we will receive after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED]:

	Estimated [REDACTED]
Assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] stated in this document)	HK$[REDACTED] million
Assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the high-end of the [REDACTED] stated in this document)	HK$[REDACTED] million
Assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the low-end of the [REDACTED] stated in this document)	HK$[REDACTED] million

We intend to apply such [REDACTED] in the following manner:

(i) [REDACTED]%, or HK$[REDACTED] million, of the [REDACTED] to continue our growth by solidifying our relationship with existing customers and exploring new customers;

(ii) [REDACTED]%, or HK$[REDACTED] million, of the [REDACTED] to set up a new showroom to showcase our product offerings;

(iii) [REDACTED]%, or HK$[REDACTED] million, of the [REDACTED] to strengthen our design and development capabilities to develop new design collections;

(iv) [REDACTED]%, or HK$[REDACTED] million, of the [REDACTED] to enhance our quality control process;

(v) [REDACTED]%, or HK$[REDACTED] million, of the [REDACTED] to repay our bank borrowings; and

(vi) [REDACTED]%, or HK$[REDACTED] million, of the [REDACTED] to fund our general working capital needs.

For the period from the Latest Practicable Date to 31 December 2020 and onwards, our [REDACTED] from the [REDACTED] will be used as follows:

	From the Latest Practicable Date to 30 June 2018	For the period from 1 July 2018 to 31 December 2018	For the period from 1 January 2019 to 30 June 2019	For the period from 1 July 2019 to 31 December 2019	For the period from 1 January 2020 to 30 June 2020	From 1 July 2020 to 31 December 2020 and onwards	Total amount to be funded by [REDACTED] from the [REDACTED]
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(1) Continue our growth by solidifying our relationship with existing customers and exploring new customers							
— Participating in trade fairs, such as setting up booths	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— Visiting existing and new customers	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(2) Set up a new showroom to showcase our product offerings							
— Setting up a showroom in Hong Kong	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— Decorating the newly acquired showroom	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(3) Strengthen our design and development capabilities to develop new design collections							
— Expanding our variety of sample products	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— Recruiting two in-house designers	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(4) Enhance our quality control process	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(5) Repay bank borrowings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(6) Fund general working capital needs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The bank borrowings of our Group will be repaid by using the [REDACTED] from the [REDACTED] which comprise two loan facilities granted by a licensed bank in Hong Kong in April 2014, with the interest rate of 2% per annum over the Hong Kong Interbank Offered Rate ("**HIBOR**") and the interest rate of 2.25% per annum over the HIBOR, respectively. The principal of each loan facility is repayable in 60 equal monthly instalments. As at 28 February 2018, the aggregate outstanding amount of the principals of such loan facilities amounted to HK$6.0 million. Our Group has used the funds from the loan facilities to fund our general working capital needs.

The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the midpoint of the estimated [REDACTED].

We will bear the brokerage commissions, 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 [REDACTED].

To the extent that the [REDACTED] are not immediately applied to the above purpose and to the extent permitted by applicable law and regulations, we intend to deposit the [REDACTED] into short-term demand deposits and/or money market instruments. Should our Directors decide to re-allocate the intended [REDACTED] to other business plans to a material extent and/or there is to be any material modification to the [REDACTED] as described above, our Company will make an announcement in accordance with the GEM Listing Rules.

Investors should be aware that any part of the business plans of our Group may or may not proceed according to the timeframe as described under the paragraph headed "[REDACTED] — Implementation Plans" in this section due to various factors such as changes in customers' demand and changes in market conditions. Under such circumstances, our Directors will evaluate carefully the situations and will hold the funds as short-term deposits in authorised banks and/or financial institutions in Hong Kong until the relevant business plan materialises.

We will issue an appropriate announcement if there is any material change in the aforementioned [REDACTED].

Implementation Plans

In pursuance of our business objectives, the implementation plans of our Group are set forth below for each of the six-month periods until 31 December 2020 and onwards. Investors should note that the following implementation plans are formulated on the bases and assumptions as set forth in the paragraph headed "— Basis and Assumptions" in this section. These bases and assumptions are inherently subject to uncertainties and unpredictable factors, in particular the risk factors set forth in "Risk Factors" in this document.

	Continue our growth by solidifying our relationship with existing customers and exploring new customers	Set up a new showroom to showcase our product offerings	Strengthen our design and development capabilities to develop new design collections	Enhance our quality control process
For the period from the Latest Practicable Date to 30 June 2018	• Nil	• Identifying suitable premise for acquisition and the setting up of a new showroom in Hong Kong	• Nil	• Nil
For the period from 1 July 2018 to 31 December 2018	• Participating in more trade fairs, including setting up booths for display of our design collections and product offerings • Visiting our customers	• Acquiring a premises for the setting up of a new showroom in Hong Kong • Decorating the newly acquired showroom	• Expanding our variety of sample products for our design collections to be displayed in our new showroom • Recruiting two in-house designers	• Performing on-site quality inspections by quality control team
For the period from 1 January 2019 to 30 June 2019	• Participating in more trade fairs, including setting up booths for display of our design collections and product offerings • Visiting our customers	• Nil	• Expanding our variety of sample products for our design collections to be displayed in our new showroom • Remunerating the two recruited in-house designers	• Performing on-site quality inspections by quality control team

	Continue our growth by solidifying our relationship with existing customers and exploring new customers	Set up a new showroom to showcase our product offerings	Strengthen our design and development capabilities to develop new design collections	Enhance our quality control process
For the period from 1 July 2019 to 31 December 2019	• Participating in more trade fairs, including setting up booths for display of our design collections and product offerings • Visiting our customers	• Nil	• Expanding our variety of sample products for our design collections to be displayed in our new showroom • Remunerating the two recruited in-house designers	• Performing on-site quality inspections by quality control team
For the period from 1 January 2020 to 30 June 2020	• Participating in more trade fairs, including setting up booths for display of our design collections and product offerings • Visiting our customers	• Nil	• Expanding our variety of sample products for our design collections to be displayed in our new showroom • Remunerating the two recruited in-house designers	• Performing on-site quality inspections by quality control team
For the period from 1 July 2020 to 31 December 2020 and onwards	• Participating in more trade fairs, including setting up booths for display of our design collections and product offerings • Visiting our customers	• Nil	• Expanding our variety of sample products for our design collections to be displayed in our new showroom • Remunerating the two recruited in-house designers	• Performing on-site quality inspections by quality control team

BASIS AND ASSUMPTIONS

The business objectives and the implementation plan formulated by our Directors are based on the following bases and assumptions:

- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no material change in the funding requirement for each of our future plan described in this document from the amount as estimated by our Directors;
- there will be no material change in existing laws and regulations, or other governmental policies relating to us, or in the political, economic or market conditions in which we operate;
- there will be no material change in the bases or rates of taxation applicable to our activities;
- we will be able to retain key staff in the management and the main operational departments;
- there will be no significant changes in our business relationships with our major customers;
- we will be able to continue our operation in substantially the same manner as we have been operating during the Track Record Period and we will also be able to carry out the development plans without disruptions adversely affecting our operations or business objectives in any way;
- there will be no disasters, natural, political or otherwise, which would materially disrupt our businesses or operations; and

- we will not be materially affected by the risk factors as set out under the section headed "Risk Factors" in this document.

REASONS FOR THE [REDACTED]

The followings are our main purposes for seeking the [REDACTED]:

- providing a platform for our Group to access the capital markets for future secondary fund-raising through the issuance of shares and for debt securities, which can provide funding sources to cater for our further expansion plans (other than those future plans stated in the paragraph headed "— Business Objectives and Strategies" in this section and the section headed "Business — Our Business Strategies" in this document) as and when necessary. Furthermore, the ability to obtain bank financing is generally easier with a public entity as compared to a private entity;

- broadening our shareholder base and enhance the liquidity of the Shares, as compared to the limited liquidity of the Shares that are privately held before the [REDACTED];

- enhancing our corporate profile, visibility and our market presence to generate reassurance among our customers and suppliers. By way of the [REDACTED], we can elevate our corporate image and status and provide reassurance and confidence to our customers and suppliers, which in turn provides a stronger bargaining position when exploring new business opportunities with our customers and suppliers.

- enhancing our operational efficiency and corporate governance through compliance with rigorous disclosure standards which we believe would enhance our internal control, operating systems and risk management; and

- enhancing employee incentive and commitment. Human resources and talents are vital to our business, being a [REDACTED] company can help to attract, recruit and retain our valued management personnel, employees and skilled professionals to provide additional incentive.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-43, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF VISION INTERNATIONAL HOLDINGS LIMITED AND GIRAFFE CAPITAL LIMITED

Introduction

We report on the historical financial information of Vision International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-43, which comprises the consolidated statements of financial position as at 31 December 2015, 2016 and 2017, the statement of financial position of the Company as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 December 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-43 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the "Document") in connection with the initial [REDACTED] of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "*Accountants' Reports on Historical Financial Information in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2015, 2016 and 2017, the Company's financial position as at 31 December 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by Company's subsidiary and states no dividends have been paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
[REDACTED]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA (the "Underlying Financial Statements"). The Underlying Financial Statements were audited by us in accordance with the Hong Kong Standards of Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollar ("HK dollars" or "HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December		
		2015	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*5*	110,839	46,016	71,399
Cost of sales		(73,779)	(24,615)	(44,867)
Gross profit		37,060	21,401	26,532
Other income	*6*	30,747	28,256	22,270
Other gains and losses	*7*	3,973	4,800	(809)
Selling and distribution expenses		(10,037)	(3,990)	(6,068)
Administrative expenses		(3,989)	(4,719)	(4,221)
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	*8*	(887)	(539)	(397)
Profit before taxation		56,867	45,209	25,192
Income tax expense	*9*	(3,567)	(2,335)	(2,727)
Profit for the year	*10*	53,300	42,874	22,465
Other comprehensive (expense) income				
Item that will not be reclassified subsequently to profit or loss				
Exchange differences arising on the translation of functional currency to presentation currency		(5,394)	(3,081)	878
Total comprehensive income for the year		47,906	39,793	23,343
Earnings per share — basic (Hong Kong cents)	*13*	7.1	5.7	3.0

Statements of Financial Position

		The Group			The Company
		As at 31 December			As at 31 December
		2015	2016	2017	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Plant and equipment	*14*	—	—	506	—
Intangible assets	*15*	—	—	9,583	—
Deposits	*18*	10	10	95	—
Unlisted investment in a subsidiary		—	—	—	23,967
		10	10	10,184	23,967
CURRENT ASSETS					
Financial assets at fair value through profit or loss ("FVTPL")	*16*	248	—	—	—
Goods in transit	*17*	2,680	448	926	—
Trade and other receivables, prepayments and deposits	*18*	4,284	6,807	13,595	3,703
Amount due from controlling shareholder	*19a*	30,958	22,681	—	—
Amount due from a related company	*19b*	3,889	—	—	—
Amount due from ultimate holding company	*19c*	—	—	8	—
Tax recoverable		3,058	7,922	6,466	—
Bank balances and cash	*20*	48,345	25,691	23,767	46
		93,462	63,549	44,762	3,749
CURRENT LIABILITIES					
Trade and other payables	*21*	11,366	6,102	9,090	4,967
Amount due to a related company	*19d*	434	3,261	—	—
Amount due to a subsidiary	*32b*	—	—	—	10,901
Bank borrowings — due within one year	*22*	37,511	12,978	6,800	—
Financial guarantee liability	*23*	21,337	18,448	816	—
		70,648	40,789	16,706	15,868
NET CURRENT ASSETS (LIABILITIES)		22,814	22,760	28,056	(12,119)
TOTAL ASSETS LESS CURRENT LIABILITIES		22,824	22,770	38,240	11,848
NON-CURRENT LIABILITIES					
Deferred tax liabilities	*24*	—	—	343	—
NET ASSETS		22,824	22,770	37,897	11,848
CAPITAL AND RESERVES					
Share capital	*25*	—	—	1	1
Reserves		22,824	22,770	37,896	11,847
		22,824	22,770	37,897	11,848

Consolidated Statements of Changes in Equity

	Share capital *HK$'000* *(Note 25)*	Other reserve *HK$'000* *(Note i)*	Translation reserve *HK$'000*	Retained profits *HK$'000*	Total equity *HK$'000*
At 1 January 2015	—*	(23,059)	345	52,190	29,476
Profit for the year	—	—	—	53,300	53,300
Exchange differences arising on the translation of functional currency to presentation currency	—	—	(5,394)	—	(5,394)
Total comprehensive income for the year	—	—	(5,394)	53,300	47,906
Dividends	—	—	—	(3,369)	(3,369)
Deemed distribution arising from issue of financial guarantee to related companies	—	(51,189)	—	—	(51,189)
At 31 December 2015	—*	(74,248)	(5,049)	102,121	22,824
Profit for the year	—	—	—	42,874	42,874
Exchange differences arising on the translation of functional currency to presentation currency	—	—	(3,081)	—	(3,081)
Total comprehensive income for the year	—	—	(3,081)	42,874	39,793
Dividends	—	—	—	(14,750)	(14,750)
Deemed distribution arising from issue of financial guarantee to related companies	—	(25,097)	—	—	(25,097)
At 31 December 2016	—*	(99,345)	(8,130)	130,245	22,770
Profit for the year	—	—	—	22,465	22,465
Exchange differences arising on the translation of functional currency to presentation currency	—	—	878	—	878
Total comprehensive expense for the year	—	—	878	22,465	23,343
Dividends	—	—	—	(4,300)	(4,300)
Deemed distribution arising from issue of financial guarantee to related companies	—	(3,916)	—	—	(3,916)
Group reorganisation	1	(1)	—	—	—
At 31 December 2017	1	(103,262)	(7,252)	148,410	37,897

* *Amount less than HK$1,000*

Note:

(i) The Group has provided financial guarantee to companies controlled by Mr. Murray Ko and his spouse. Mr. Murray Ko is the brother of Mr. Ko, the controlling shareholder of the Company (defined in note 1). Such financial guarantee was measured at its fair value at initial recognition based on the credit spread (including the assumption on probability of default and recovery ratio) and the maximum exposure of the facility to the Group at the time of recognising the financial guarantee liability. The fair value of financial guarantee liability at initial recognition was recognised in other reserve of equity as deemed distribution to the shareholder, and the financial guarantee liability was measured at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy. Details of the financial guarantees are set out in note 23.

Consolidated Statements of Cash Flows

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit before taxation	56,867	45,209	25,192
Adjustments for:			
Interest income	(732)	(1)	(1)
Net (gain) loss on structured foreign currency forward contracts	(1,396)	(2,341)	70
Depreciation of plant and equipment	—	—	88
Amortisation of intangible assets	—	—	417
Financial guarantee income	(29,852)	(27,986)	(21,548)
Finance costs	887	539	397
Operating cash flows before movements in working capital	25,774	15,420	4,615
Decrease (increase) in goods in transit	5,421	2,232	(478)
Decrease (increase) in trade and other receivables, prepayments and deposits	6,034	(2,523)	(6,873)
(Decrease) increase in trade and other payables	(1,756)	(5,264)	2,988
Proceeds from (payment upon) settlement of structured foreign currency forward contracts	1,566	2,589	(70)
Cash from operations	37,039	12,454	182
Income tax paid	(3,812)	(7,199)	(928)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	33,227	5,255	(746)
INVESTING ACTIVITIES			
Interest received	732	1	1
Purchase of property, plant and equipment	—	—	(594)
Acquisition of trademark	—	—	(10,000)
Advance to ultimate holding company	—	—	(8)
Advance to a related company	(20,574)	(1,270)	—
Repayment from a related company	20,223	5,159	—
Advance to controlling shareholder	(18,520)	(2,606)	—
Repayment from controlling shareholder	—	10,883	22,681
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(18,139)	12,167	12,080

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
FINANCING ACTIVITIES			
Interest paid	(887)	(539)	(397)
Dividends paid	(3,369)	(14,750)	(4,300)
New bank borrowings raised	138,773	87,213	42,966
Repayments of bank borrowings	(156,540)	(111,746)	(49,144)
Repayment to a related company	(4,029)	(1,589)	(3,261)
Advance from a related company	4,300	4,416	—
NET CASH USED IN FINANCING ACTIVITIES	(21,752)	(36,995)	(14,136)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,664)	(19,573)	(2,802)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	60,403	48,345	25,691
Effect of foreign exchange rate changes	(5,394)	(3,081)	878
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	48,345	25,691	23,767

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL AND GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

General

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 January 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and with an authorised share capital of United States Dollars ("US$") 50,000 divided into 50,000 shares of US$1.00 each. On the same date, 1 fully paid share was allotted and issued at par to the initial subscriber, an independent third-party, and transferred to Metro Vanguard Limited ("Metro Vanguard") at a consideration of US$1.00. Metro Vanguard became the immediate and ultimate holding company of the Company upon the completion of a group reorganisation as detailed below. The addresses of the Company's registered office and principal place of business are disclosed in the section headed "Corporate Information" of this Document. The principal activity of the Company is investment holding. The principal activities of the Group are trading of apparel product with the provision of supply chain management services to customers in Europe.

During the two years ended 31 December 2016, the Company regarded Euro ("EUR") as its functional currency. During the year ended 31 December 2017, due to the change of the underlying transactions, events and conditions that are relevant to the Group, the directors of the Company have reconsidered and determined that the functional currency of the Company should be changed from EUR to US$ in order to better reflect the currency that mainly influences the development of the business activities of the Company. The change in the functional currency of the Company was applied prospectively from the date of change in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rate".

The Historical Financial Information is presented in Hong Kong dollar ("HK$"), which is different from the functional currency of the Company. The directors of the Company consider that presenting the Historical Financial Information in HK$ is preferable as the Group's principle place of business is in Hong Kong.

Group reorganisation and basis of preparation and presentation of Historical Financial Information

The Historical Financial Information has been prepared based on the accounting policies set out in note 3 which conform with HKFRSs issued by the HKICPA.

Prior to a group reorganisation as more fully explained in the section headed "History and Reorganisation" in the Document (the "Reorganisation"), Vision Garments Limited ("Vision Garments") was a wholly owned operating subsidiary of Market Gala Limited ("Market Gala"). Market Gala was directly held and controlled by Mr. Ko Sin Yun ("Mr. Ko" or the "Controlling Shareholder"). To rationalise the structure of the Group in preparation for the [REDACTED] of the Company's shares on GEM of the Stock Exchange ("[REDACTED]"), the companies now comprising the Group underwent a series of reorganisation which involved the followings steps:

i. On 28 November 2016, Metro Vanguard was incorporated in British Virgin Islands ("BVI") with limited liability with an authorised share capital of US$ 50,000 divided into 50,000 shares of US$1.00 each. On 19 December 2016, Metro Vanguard allotted and issued 1 fully paid share to Mr. Ko for cash at par value. On 29 December 2016, 99 fully paid shares of Metro Vanguard were further allotted and issued to Mr. Ko at par value.

ii. On 29 December 2016, Metro Vanguard acquired 1 share of Market Gala (being the then entire issued share capital) from Mr. Ko at a consideration of US$1.00.

iii. On 15 February 2017, the Company acquired the 1 share (being the then entire issued share capital) of Market Gala from Metro Vanguard at a consideration of 99 new shares of the Company to be issued to Metro Vanguard, all credited as fully paid.

Pursuant to the Reorganisation described above, the Company became the holding company of the companies now comprising the Group on 15 February 2017. Its immediate and ultimate holding company is Metro Vanguard which is controlled by Mr. Ko. The Company and its subsidiaries have been under the common control of Mr. Ko throughout the Track Record Period or since their respective dates of incorporation, where there is a shorter period. The Group resulting

from the Group reorganisation, which involves interspersing the Company and Metro Vanguard between Market Gala and Mr. Ko, is regarded as a continuing entity. Accordingly, the Historical Financial Information has been prepared on the basis as if the Company has always been the holding company of the Group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group for the relevant years, as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the relevant years, taking into account the respective date of the incorporation of the relevant entities.

The consolidated statement of financial position as at 31 December 2015 and 2016, have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates, taking into account the respective date of the incorporation of the relevant entities.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the HKFRSs which are effective for the accounting periods beginning on 1 January 2017 throughout the Track Record Period.

At the date of this report, the following new and amendments to HKFRSs and interpretations that are not yet effective. The Group has not early adopted these new and amendments to HKFRSs and interpretations.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transaction and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of

subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company anticipate that the initial application of HKFRS 9 will result in a slight increase in amount of impairment loss as at 1 January 2018. Such impairment recognised under expected credit loss model would slightly reduce the opening retained profits and slightly increase the deferred tax assets at 1 January 2018. Other than that, the directors of the Company do not anticipate the initial application of HKFRS 9 will have a material impact on the Group's future financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specially, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosure are required by HKFRS 15.

In 2016, the HKICPA issued clarification to HKFRS 15 in relation to the identification of performance obligation, principal versus agent considerations, as well as licencing application guidance.

Based on the current business model, the directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group's consolidated financial statements in the future. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$326,000 as disclosed in note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. However, the directors of the Company do not expect the adoption of HKFRS 16, as compared to the current accounting policy of the Group, would result in significant impact on the results and the net assets of the Group. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

Except as described above, the management of the Group anticipated that the application of other new and amendments to HKFRSs in issue but not yet effective will have no material impact on the Group's financial statements in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange. The Historical Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period (as explained in the accounting policies below). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are as follows:

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in a subsidiary

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less accumulated impairment losses. Cost includes direct attributable costs of investment.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business and net of discount.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated cost of completion and cost necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into loans and receivables and financial assets at FVTPL. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item. Fair value is determined in the manner described in note 29.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and deposits, amount due from controlling shareholder, amount due from ultimate holding company, amount due from a related company and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment of financial assets could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the receivable at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to a related company, amount due to a subsidiary and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognised a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group would estimate the future cash flows from the receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, 2016 and 2017, the carrying amounts of trade receivables were HK$3,694,000, HK$6,807,000 and HK$8,691,000 respectively. No impairment loss was charged to profit or loss during the Track Record Period.

Estimated useful life of intangible assets

The intangible assets with finite useful lives of the Group represents the trademarks acquired by the Group which are amortised on a straight line basis over the estimated useful lives of the trademarks, after taking into account the estimated residual value, if any. The Group determines the estimated useful lives of trademarks on initial recognition in order to determine the amount of amortisation expense to be recorded during any reporting period. The useful life of the trademarks was determined with reference to a number of factors, including the history since the trademarks established and management's experience and industry knowledge. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates prospectively. The useful lives of the Group's intangible assets are estimated as 10 years which is set out in note 15.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of apparel products with the provision of supply chain management service for the Track Record Period.

The Group's operating segment is determined based on information reported to the chief operating decision maker (the "CODM") of the Group, being the executive directors of the Company throughout the Track Record Period, for the purpose of resource allocation and performance assessment. For management purpose, the Group operates in one business unit based on their products, and its sole operating segment is the sales of apparel products with the provision of apparel supply chain management. The CODM monitors the revenue, results, assets and liabilities of its business unit as a whole and regularly reviews financial information prepared in accordance with the accounting policies which conform with HKFRSs which is consistent with those presented in this report, and without further discrete financial information. Accordingly, no analysis of segment information other than entity-wide information is presented.

Geographical information

The Group's operations are mainly located in Hong Kong.

The Group's revenue from external customers are mainly derived from customers in Germany, approximately 92.7%, 100% and 90.2% of the Group's revenue are derived from customers in Germany for the years ended 31 December 2015, 2016 and 2017, respectively.

Revenue from customers individually contributing over 10% of the Group's revenue of the corresponding year are as follows:

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Customer A	27,209	N/A[#]	N/A[#]
Customer B	14,605	18,115	20,649
Customer C	N/A[*]	6,844	N/A[*]
Customer D	N/A[*]	6,335	N/A[*]
Customer E	N/A[#]	4,704	27,959

[*] The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year.

[#] No revenue was attributed from the relevant customer for the respective year.

Non-current assets (excluding financial assets) by geographical location of assets are detailed below:

	As at 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	—	—	506
Germany	—	—	9,583
	—	—	10,089

6. OTHER INCOME

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Financial guarantee income *(note 23)*	29,852	27,986	21,548
Sample sales income	151	101	721
Bank interest income	732	1	1
Sundry income	12	168	—
	30,747	28,256	22,270

7. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Net gain (loss) on structured foreign currency forward contracts	1,396	2,341	(70)
Net foreign exchange gain (loss)	2,577	2,459	(739)
	3,973	4,800	(809)

8. FINANCE COSTS

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank borrowings	887	539	397

9. INCOME TAX EXPENSE

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong Profits Tax:			
Current tax	3,567	2,335	2,404
Over-provision in prior years	—	—	(20)
	3,567	2,335	2,384
Deferred taxation *(Note 24)*	—	—	343
	3,567	2,335	2,727

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Track Record Period.

The Company's subsidiaries operating in Hong Kong are eligible for certain tax concessions. The maximum tax concessions eligible for each subsidiary is HK$20,000 and HK$20,000 for the years ended 31 December 2015 and 2016 respectively.

The tax charge for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	56,867	45,209	25,192
Tax at Hong Kong Profits tax rate of 16.5% *(Note i)*	9,383	7,459	4,157
Tax effect of income not taxable for tax purposes	(5,796)	(5,105)	(3,555)
Tax effect of expenses not deductible for tax purposes	—	1	2,145
Over-provision in prior years	—	—	(20)
Tax concession	(20)	(20)	—
Income tax expense for the year	3,567	2,335	2,727

Notes:

(i) The income tax rate in the jurisdiction where the operations of the Group substantially based is used.

10. PROFIT FOR THE YEAR

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year has been arrived at after charging:			
Directors' remuneration *(note 11)*:	—	—	1,003
Other staff costs: *(Note)*			
— Salaries and other benefits	2,038	3,077	2,833
— Retirement benefit scheme contributions	87	111	120
	2,125	3,188	2,953
Total employee benefits expenses	2,125	3,188	3,956
Auditor's remuneration	50	300	480
Depreciation of plant and equipment	—	—	88
Amortisation of intangible assets	—	—	417
Cost of inventories recognised as cost of sales	73,779	24,615	44,867
Minimum lease payments under operating leases in respect of land and building	74	—	279

Note: For disclosure purpose, the staff cost for the period from 1 April 2015 to 31 December 2016 has included the staff cost incurred and paid on behalf of the Group and recharged to the Group by Meridian Industries Limited ("Meridian"), a company controlled by Mr. Murray Ko (brother of Mr. Ko, the controlling shareholder of the Group) and his spouse through management fee details are set out in note 11.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and the chief executive's emoluments

Mr. Ko was appointed as an executive director of the Company on 19 January 2017. Mr. Ko Man Ho, son of Mr. Ko, and Mr. Cheng Ka Wing were appointed as executive directors of the Company on 8 July 2017. Mr. To King Yan, Mr. Chan Kim Sun and Mr. Kwok Chee Kin were appointed as independent non-executive directors of the Company on 16 April 2018.

The remuneration paid or payable to the directors of the Company were as follows:

For the year ended 31 December 2015	**Mr. Ko**	**Ko Man Ho**
	HK$'000	*HK$'000* *(Note)*
Fee	—	—
Salaries and allowances	—	310
Contributions to retirement benefits scheme	—	11
	—	321

For the year ended 31 December 2016	**Mr. Ko**	**Ko Man Ho**
	HK$'000	*HK$'000* *(Note)*
Fee	—	—
Salaries and allowances	—	432
Contributions to retirement benefits scheme	—	15
	—	447

For the year ended 31 December 2017	Mr. Ko	Cheng Ka Wing	Ko Man Ho
	HK$'000	*HK$'000*	*HK$'000*
		(Note)	*(Note)*
Fee	296	—	—
Salaries and allowances	—	587	578
Contributions to retirement benefits scheme	7	18	18
	303	605	596

Note: The total remuneration paid to Mr. Ko Man Ho and Mr. Cheng Ka Wing during the Track Record Period were for their services as employees of the Group's operating subsidiary prior to and after their appointment as executive directors of the Company on 8 July 2017.

The emoluments shown above was for their services in connection with the management of the affairs of the Group.

(b) Employees' emoluments

As disclosed in notes 10 and 27, during the period from 1 April 2015 to 31 December 2016, Meridian has provided management services to the Group and majority of such services included provision of staff working exclusively on the Group's business. Therefore, for the disclosure purpose, the following information has taken into account payment made by the Group to Meridian in respect of the individuals under such arrangement. The below table shows the five highest paid individuals of the Group during the Track Record Period, of which one, one and three are directors of the Company for the years ended 31 December 2015, 2016 and 2017.

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	1,587	2,315	2,307
Retirement benefit scheme contributions	62	79	77
	1,649	2,394	2,384

The emoluments were within the following bands:

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Nil to HK$1,000,000	5	5	5

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company or the chief executive of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

12. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation to 31 December 2017. However, a subsidiary of the Company had declared interim dividends in the amount of HK$3,369,000, HK$14,750,000 and HK$4,300,000 in respect of the relevant financial year to the Controlling Shareholder for each of the years ended 31 December 2015, 2016 and 2017. Under the instruction of Mr. Ko, the Controlling Shareholder, an amount of approximately HK$2,813,000, HK$3,875,000 and nil, being part of the dividend payments, were directly paid from that subsidiary to a company controlled by Mr. Murray Ko and his spouse, and nil, HK$3,875,000 and nil, being part of the dividend payments, to a company controlled by an independent third party who was the former owner of the trademarks which were subsequently sold to the Group in July 2017 and a business partner of certain business operated by Mr. Ko's family members (the "Independent Third Party") during the Track Record Period, respectively.

The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not considered meaningful.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Earnings:			
Earnings for the purpose of calculating basic earnings per share (profit for the year)	53,300	42,874	22,465
	'000	*'000*	*'000*
Number of shares:			
Number of ordinary shares for the purpose of calculating basic earnings per share	[REDACTED]	[REDACTED]	[REDACTED]

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation set out in note 1 and the [REDACTED] as referred to in the section headed "Share Capital" in the Document had been effective on 1 January 2015.

No diluted earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

14. PLANT AND EQUIPMENT

	Computer and office equipment *HK$'000*
COST	
At 1 January 2015, 31 December 2015 and 2016	—
Additions	594
At 31 December 2017	594
ACCUMULATED DEPRECIATION	
At 1 January 2015, 31 December 2015 and 2016	—
Provided for the year	88
At 31 December 2017	88
CARRYING AMOUNTS	
At 31 December 2015 and 2016	—
At 31 December 2017	506

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Computer and office equipment	20%

15. INTANGIBLE ASSETS

	Trademarks *HK$'000*
COST	
At 1 January 2015, 31 December 2015 and 2016	—
Additions	10,000
At 31 December 2017	10,000
AMORTISATION	
At 1 January 2015, 31 December 2015 and 2016	—
Provided for the year	417
At 31 December 2017	417
CARRYING AMOUNT	
At 31 December 2015 and 2016	—
At 31 December 2017	9,583

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Trademarks	10 years

The Group acquired two trademarks from the Independent Third Party at an aggregate consideration of HK$10,000,000 in July 2017.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Structured foreign currency forward contracts — gross settled	248	—	—

As at 31 December 2015, the amounts represented the fair value of gross-settled capped forward contracts with aggregate notional amount of EUR2.3 million. The Group shall pay EUR/receive US$ if the spot rate between EUR and US$ is lower than the contract rate which is specified in the relevant agreements on respective settlement dates based on the notional amount and the contract rate. Where the spot rate is above the contract rate on respective settlement dates, the Group should pay EUR/receive US$ based on the notional amount multiply by two and the contract rate with the banks. The amounts were denominated in US$ as at 31 December 2015. Details of the fair value are disclosed in note 29(c).

17. GOODS IN TRANSIT

	As at 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Finished goods in transit	2,680	448	926

18. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	The Group			The Company
	As at 31 December			As at 31 December
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	3,694	6,807	8,691	—
Other receivables	590	—	—	—
Rental and utilities deposits	10	10	95	—
Prepayments	—	—	1,201	—
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	4,294	6,817	13,690	3,703
Presented as non-current assets	10	10	95	—
Presented as current assets	4,284	6,807	13,595	3,703
	4,294	6,817	13,690	3,703

No allowance for bad and doubtful debt was provided during the Track Record Period and no balance of provision for bad and doubtful debt had been recognised as at the end of each reporting period.

The Group either demands for full settlement upon delivery of goods or allows credit periods of no longer than 30 days upon delivery of goods, except that the Group allows credit period of no longer than 120 days upon delivery of goods for certain customers.

The following is an ageing analysis of trade receivables of the Group presented based on the invoice date at the end of the reporting period:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables			
1 to 30 days	—	4,229	5,687
31 to 60 days	1,178	721	2,031
61 to 90 days	—	—	13
Over 90 days	2,516	1,857	960
	3,694	6,807	8,691

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

Included in the Group's trade receivables balance were debtors with aggregate carrying amount of HK$2,273,000, HK$1,875,000 and HK$2,082,000 as at 31 December 2015, 2016 and 2017, respectively, which were past due at the end of the reporting period for which the Group had not provided for impairment loss as the Group considered such balances could be recovered based on historical experience or have been subsequently settled. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which were past due but not impaired at the end of the reporting period:

	The Group As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Overdue by:			
1 to 30 days	1,410	18	695
31 to 60 days	832	—	1,377
61 to 90 days	—	—	13
Over 90 days	31	1,857	86
	2,273	1,875	2,171

Trade receivables and other receivables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	The Group As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
US$	237	4,229	N/A
HK$	10	10	117
Renminbi ("RMB")	591	—	874
EUR	N/A	N/A	1,608

19. AMOUNTS DUE FROM/TO RELATED PARTIES

(a) Amount due from controlling shareholder

The amount due from Mr. Ko is non-trade in nature, unsecured, interest-free and repayable on demand. The amount has been settled during the year ended 31 December 2017.

	As at 1 January	As at 31 December			Maximum amount outstanding during the year ended 31 December		
	2015	2015	2016	2017	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Ko	12,438	30,958	22,681	—	30,958	33,564	22,681

The amount due from Mr. Ko during Track Record Period were denominated in HK$.

(b) Amount due from a related company

	As at 1 January	As at 31 December			Maximum amount outstanding during the year ended 31 December		
	2015	2015	2016	2017	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Wenco Holdings Limited ("Wenco")	3,538	3,889	—	—	12,125	3,889	—

Wenco is a company controlled by Mr. Murray Ko. The amount was non-trade in nature, denominated in US$, interest-free, unsecured and repayable on demand.

(c) Amount due from ultimate holding company

	As at 1 January	As at 31 December			Maximum amount outstanding during the year ended 31 December		
	2015	2015	2016	2017	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Metro Vanguard	—	—	—	8	—	—	8

The amount was non-trade in nature, denominated in HK$, interest-fee, unsecured and repayable on demand.

(d) Amount due to a related company

	As at 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Meridian	434	3,261	—

Meridian is a company controlled by Mr. Murray Ko and his spouse. The amount due to Meridian as at 31 December 2015 and 2016 was non-trade in nature, unsecured, interest-free and repayable on demand.

The above balances included nil, HK$2,915,000 and nil as at 31 December 2015, 2016 and 2017 which were denominated in HK$.

20. BANK BALANCES AND CASH

Bank balances and cash denominated in currencies other than the functional currency of the relevant group entities and the Company are set out below:

	The Group			The Company
	As at 31 December			As at 31 December
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	161	241	1,042	46
US$	46,014	24,120	N/A	N/A
RMB	1,014	100	63	—
EUR	N/A	N/A	2,684	—

Certain bank balances of the Group are subject to covenants with a bank, details of which is disclosed in note 22.

21. TRADE AND OTHER PAYABLES

	The Group			The Company
	As at 31 December			As at 31 December
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	8,743	3,225	1,668	—
Accrued expenses	1,402	1,961	5,804	4,967
Deposits received	75	—	194	—
Other payables	1,146	916	1,424	—
	11,366	6,102	9,090	4,967

Included in trade payables, amount of approximately HK$6,380,000 as at 31 December 2015 was trade-nature payable to a Madagascar supplier for production of purchase orders. With the instruction of Madagascar supplier, approximately HK$26,285,000, HK$4,063,000 and nil were paid to Wenco and approximately nil, HK$6,113,000 and nil were paid to Easy Rich Industries Limited ("Easy Rich") in relation to the procurement of cashmere in the PRC by these companies on behalf of this Madagascar supplier for the years ended 31 December 2015, 2016 and 2017, respectively. Wenco is ultimately controlled by Mr. Murray Ko and Easy Rich is jointly owned by Mr. Murray Ko and his spouse.

The credit period on purchase of goods is no longer than 30 days. The ageing analysis of the trade payables of the Group presented based on the invoice dates at the end of each reporting period is as follows:

	As at 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
1 to 30 days	2,000	2,719	489
31 to 60 days	3,394	326	1,179
61 to 90 days	2,357	180	—
Over 90 days	992	—	—
	8,743	3,225	1,668

Trade and other payables denominated in currencies other than the functional currency of the relevant group entities are set out below.

	The Group			The Company
	As at 31 December			As at 31 December
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	254	381	6,293	4,967
US$	8,788	4,575	N/A	N/A
RMB	812	1	15	—
EUR	N/A	N/A	682	—

22. BANK BORROWINGS

The entire balances of the Group's bank borrowings are guaranteed and carried variable rate of interest.

	As at 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Secured bank borrowings	21,111	1,378	—
Unsecured bank borrowings	16,400	11,600	6,800
	37,511	12,978	6,800
Carrying amounts of bank borrowings based on scheduled repayment dates set out in the loan agreements:			
Within one year	25,911	6,178	4,800
More than one year, but not more than two years	4,800	4,800	2,000
More than two years, but not more than five years	6,800	2,000	—
	37,511	12,978	6,800
Analysed as:			
Amounts due within one year shown under current liabilities and contain a repayment on demand clause	25,911	6,178	4,800
Amounts that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	11,600	6,800	2,000
	37,511	12,978	6,800
Less: amounts shown under current liabilities	(37,511)	(12,978)	(6,800)
	—	—	—

The variable-rate bank borrowings carry interests at premiums over Hong Kong Interbank Offered Rate ("HIBOR"). The effective interest rate on bank borrowings is ranging from 1.40% to 2.57% per annum, 2.57% to 2.92% per annum and 2.71% to 2.96% per annum as at 31 December 2015, 2016 and 2017, respectively.

The Group with certain related companies controlled by Mr. Murray Ko and his spouse entered into several banking facilities with banks in Hong Kong for combined facilities with an aggregate amount of approximately HK$575,985,000, HK$473,959,000 and HK$473,959,000 as at 31 December 2015, 2016 and 2017, respectively, which are shared by the Group and related parties. The banking facilities are secured by assets held by the Group or related parties and/or guaranteed by related parties, details of which is set out as follow:

(a) Unlimited personal guarantee by Mr. Murray Ko and his spouse;

(b) Unlimited cross corporate guarantee by related companies controlled by Mr. Murray Ko and his spouse;

(c) Unlimited cross corporate guarantee by Vision Garments Limited (a subsidiary of the Company);

(d) Time deposits held with a bank, whereas the bank deposits amounts held by Vision Garments Limited (a subsidiary of the Company) and related companies controlled by Mr. Murray Ko and his spouse are not less than HK$170,000,000, HK$100,000,000 and HK$100,000,000 in aggregate as at 31 December 2015, 2016 and 2017, respectively (As at 31 December 2015, 2016 and 2017, the Group had no time deposits pledged under such banking facilities);

(e) Certain properties of related companies controlled by Mr. Murray Ko and his spouse;

(f) Certain life insurance policies held by related companies controlled by Mr. Murray Ko and his spouse; and

(g) Cash deposits of not less than US$500,000 together with all interest accrued thereon by Mr. Ko as at 31 December 2017.

In addition, bank borrowings of HK$16,400,000, HK$11,600,000 and HK$6,800,000 are guaranteed by the Government of the Hong Kong Special Administrative Region and the Hong Kong Mortgage Corporation Limited, respectively, under the SME Financing Scheme and personal guarantee limited to HK$12,000,000 by Mr. Ko.

As represented by the directors of the Company, such personal guarantee, corporate guarantee and securities provided by related parties will be released upon the [REDACTED].

Bank borrowings denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
HK$	16,717	12,978	6,800
US$	1,994	—	N/A

23. FINANCIAL GUARANTEE LIABILITY AND CONTINGENT LIABILITY

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Financial guarantee liability recognised on consolidated statements of financial position in respect of: Guarantees provided to related companies *(Note)*	21,337	18,448	816

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Financial guarantee income credited to profit or loss including: Guarantees provided to related companies *(Note)*	29,852	27,986	21,548

Note:

As detailed in note 22, the Group and certain companies controlled by Mr. Murray Ko and his spouse entered into several banking facilities agreements and cross guarantees are provided by the Group and the companies of Mr. Murray Ko and his spouse. As at 31 December 2015, 2016 and 2017, the combined facilities under such banking facilities and cross guarantees, which are provided by the Group to related companies, are with an aggregate amount of approximately HK$520,323,000, HK$459,145,000 and HK$472,123,000 respectively. The fair value of the financial guarantee as their respective initial recognition date were arrived at on the basis of valuation carried out by Avista Valuation Advisory Limited with address of 23rd Floor, Siu On Centre, No. 188 Lockhart Road, Wanchai, Hong Kong, independent qualified professional valuer not connected with the Group. The fair value of the financial guarantee was calculated based on credit spread (including the assumption on probability of default and recovery ratio) and the maximum exposure of the facility to the Group which is classified as level 3 fair value measurement. The estimated fair value of the financial guarantee was recognised as financial guarantee liability with the equivalent amount charged to equity as shareholder as deemed distribution at the initial recognition date. Subsequent to the initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate cumulative amortisation recognised in accordance with the revenue recognition policy. The financial guarantee liabilities were all denominated in HK$.

As represented by the directors of the Company, such cross guarantees provided by the Group to related companies will be released upon [REDACTED].

24. DEFERRED TAXATION

The following is the deferred tax liabilities recognised and movements thereon during the Track Record Period.

	Accelerated tax depreciation *HK$'000*	**Intangible assets** *HK$'000*	**Total** *HK$'000*
At 1 January 2015, 31 December 2015 and 2016	—	—	—
Charge to profit or loss *(note 9)*	82	261	343
At 31 December 2017	82	261	343

25. SHARE CAPITAL

For the purposes of presentation of the statements of financial position, the balances of share capital as at 1 January 2015 and 31 December 2015 and 2016 represented the share capital of Market Gala attributable to Mr. Ko prior to the completion of the Reorganisation. The balance of share capital as at 31 December 2017 represented the share capital of the Company.

Details of movements of share capital of the Company are as follows:

	Number of shares	**Share capital** *HK$'000*
Ordinary shares of US$1 each		
Authorised:		
At 19 January 2017 (date of incorporation) and 31 December 2017	50,000	390
Issued:		
At date of incorporation	1	—
Issue of shares	99	1
At 31 December 2017	100	1

On 15 February 2017, as part of the Reorganisation, the Company acquired the entire issued share capital of Market Gala from Metro Vanguard at a consideration of 99 new shares of the Company to Metro Vanguard, all credited as fully paid. The new shares rank pari passu with the then existing shares in all aspects.

Pursuant to the resolutions passed by the board of directors and the sole shareholder dated 7 July 2017, the authorised share capital of the Company was re-denominated into HK$380,000, divided into 38,000,000 shares of HK$0.01 each.

Other than the share allotments above, no other share transaction was undertaken by the Company from its incorporation date to 31 December 2017.

26. RETIREMENT BENEFIT SCHEMES

The Group participates the Mandatory Provident Fund Scheme (the "MPF Scheme") for all its qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes the lower of HK$1,500 or 5% of relevant payroll costs per person to the MPF Scheme, which contribution is matched by the employees.

The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions. During the Track Record Period, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss represents contributions paid or payable to the scheme by the Group at rates specified in the rules of the scheme. The retirement benefits scheme contributions made by the Group amounted to HK$8,000, nil and HK$145,000 for the years ended 31 December 2015, 2016 and 2017, respectively.

27. RELATED PARTY DISCLOSURES

(a) Related party balances

Details of the outstanding balances with related parties are set out in the statements of financial position and in note 19.

(b) Related party transactions

Saved as disclosed elsewhere in the Historical Financial Information, during the Track Record Period, the Group entered into the following transactions with related parties:

Name of related party	Nature of transaction	Year ended 31 December		
		2015	2016	2017
		HK$'000	*HK$'000*	*HK$'000*
Meridian *(note)*	Management fee expenses	2,908	4,174	—
Wisewing International Limited *(note)*	Rental expenses	74	—	49

Note: Meridian is controlled by Mr. Murray Ko and his spouse. Wisewing International Limited is controlled by Mr. Murray Ko.

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 22 and amount due to a related company as set out in note 19, net of cash and cash equivalents, and equity attributable to owner of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associated with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through issue of new shares, issue of new debt and redemption of existing debts.

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group			The Company
	As at 31 December			As at 31 December
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Financial assets at fair value through profit or loss	248	—	—	—
Loans and receivables (including cash and cash equivalents)	87,486	55,189	32,561	46
Financial liabilities				
Financial liabilities measured at amortised cost	49,236	22,341	15,696	15,868
Financial guarantee liability	21,337	18,448	816	—

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and other receivables and deposits, amount due from controlling shareholder, amount due from ultimate holding company, bank balances and cash, trade and other payables, amount due from/to a related company, bank borrowings and financial guarantee liability. In addition, the Company's major financial instruments also include amount due to a subsidiary and other payables.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain trade receivables, other receivables and deposits, amount due from controlling shareholder, bank balances and cash, trade and other payables, amount due to a related company, bank borrowings and financial guarantee liability of the Group and other receivable, other payables and amount due to a subsidiary of the Company are denominated in foreign currency of the respective group entities which are exposed to foreign currency risk.

The Group and the Company currently do not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As set out in note 16, as at 31 December 2015, the Group had outstanding structured foreign currency forward contracts which also exposed the Group to currency fluctuation risk.

No sensitivity analysis is presented for the structured foreign currency forward contracts as the impact of change in exchange rate on the fair value in insignificant.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

	The Group			The Company
	As at 31 December			As at 31 December
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
HK$	31,131	22,932	1,167	—
US$	50,388	28,349	N/A	N/A
RMB	1,605	100	937	—
EUR	N/A	N/A	4,292	—
Liabilities				
HK$	38,308	34,722	13,909	4,967
US$	10,782	4,575	N/A	N/A
RMB	812	1	15	—
EUR	N/A	N/A	682	—

Sensitivity analysis

The Group is exposed to foreign currency risk on fluctuation of HK$, US$ and RMB for each of the two years ended 31 December 2015 and 2016 and on fluctuation of HK$, RMB and EUR for the year ended 31 December 2017.

Since the exchange rate of HK$ is pledged with US$ the Group does not expect any significant movements in the US$/HK$ exchange rates. Therefore, the following sensitivity analysis does not include the effect between US$ and HK$ for the year ended 31 December 2017.

The following table details the Group's sensitivity to a 5% increase and decrease in foreign currencies against EUR as at 31 December 2015 and 2016 and in foreign currencies against US$ as at 31 December 2017. The percentage of the sensitivity rate used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year/period end for a 5% change in foreign currency rates as at 31 December 2015, 2016 and 2017. A positive number below indicates an increase in post-tax profit where foreign currencies strengthens 5% against EUR for each of the years ended 31 December 2015 and 2016 against US$ and for the year ended 31 December 2017. For a 5% weakening of foreign currencies against EUR for each of the years ended 31 December 2015 and 2016 and against US$ for the year ended 31 December 2017, there would be an equal and opposite impact on post-tax profit.

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Impact on post-tax profit of the Group	1,387	504	189

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of the HIBOR.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the interest-bearing financial assets and financial liabilities outstanding at the end of each reporting period were outstanding for the whole year. A 50 basis points increase or decrease in the variable-rate interest bearing financial assets and financial liabilities is used and represent management's assessment of the reasonably possible change in interest rates for the years ended 31 December 2015, 2016 and 2017. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates on variable-rate interest-bearing financial liabilities had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 December 2015, 2016 and 2017 would decrease/increase by HK$157,000, HK$54,000 and HK$28,000 respectively.

Credit risk

Other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company arising from the amount of contingent liabilities in relation to financial guarantees provided by the Group as disclosed in note 23.

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk on its bank balances as the entire balances as at 31 December 2015, 2016 and 2017 are deposited with two, two and three banks, respectively. The credit risk of the Group on bank balances is limited because the counterparties are banks with good reputation.

As at 31 December 2015, 2016 and 2017, the Group had concentration of credit risk as 66%, 62% and 56.2%, respectively, of the total trade receivables was due from the Group's largest debtor. The Group's concentration of credit risk on the top five largest debtors accounted for 100%, 100% and 95.7% of the total trade receivables receivable as at 31 December 2015, 2016 and 2017, respectively. For a long-term customer, the Group allows a credit term of 120 days upon delivery of goods. For other customers, the Group either demands for full settlement upon delivery of goods or allows credit periods of no longer than 30 days upon delivery of goods. All of these counterparties are either owners or sourcing agents of apparel retail brands based in German arising from the Group's sales of knitwear products. The management of the Group considered that the credit risk on amounts due from these customers is insignificant after considering their historical settlement records, credit qualities and financial positions of the counterparties.

Liquidity risk

In management of the liquidity risk, the Group and the Company monitor and maintain levels of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

Liquidity tables

As at 31 December 2015

The Group

	Weighted average effective interest rate	Repayable on demand	Within 3 months	Total undiscounted cash flows	Carrying amount at 31 December 2015
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities					
Trade and other payables	N/A	6,743	4,548	11,291	11,291
Amounts due to related company	N/A	434	—	434	434
Bank borrowings — variable rate	2.02	37,511	—	37,511	37,511
Financial guarantee liability	N/A	520,323	—	520,323	21,337
		565,011	4,548	569,559	70,573

As at 31 December 2016

The Group

	Weighted average effective interest rate	Repayable on demand	Within 3 months	Total undiscounted cash flows	Carrying amount at 31 December 2016
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities					
Trade and other payables	N/A	506	5,596	6,102	6,102
Amount due to a related company	N/A	3,261	—	3,261	3,261
Bank borrowings — variable rate	2.77	12,978	—	12,978	12,978
Financial guarantee liability	N/A	459,145	—	459,145	18,448
		475,890	5,596	481,486	40,789

As at 31 December 2017

The Group

	Weighted average effective interest rate	Repayable on demand	Within 3 months	Total undiscounted cash flows	Carrying amount at 31 December 2017
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities					
Trade and other payables	N/A	1,179	7,717	8,896	8,896
Bank borrowings — variable rate	2.84	6,800	—	6,800	6,800
Financial guarantee liability	N/A	472,123	—	472,123	816
		480,102	7,717	487,819	16,512

As at 31 December 2017

The Company

	Weighted average effective interest rate	Repayable on demand	Within 1 month	Total undiscounted cash flows	Carrying amount at 31 December 2017
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities					
Other payables	N/A	—	4,967	4,967	4,967
Amount due to a subsidiary	N/A	10,901	—	10,901	10,901
		10,901	4,967	15,868	15,868

The amounts included above for financial guarantee liability were the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of each reporting period, management considered that it is more likely than not that no amount would be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantees which is a function of the likelihood that the financial receivables held by the counterparty which guaranteed suffer credit losses. Details of the financial guarantees are set out in note 23.

Bank borrowings with a repayment on demand clause are included in the "repayable on demand" time band in the above maturity analysis. As at 31 December 2015, 2016 and 2017, the aggregate carrying amounts of these bank borrowings were HK$37,511,000, HK$12,978,000 and HK$6,800,000, respectively.

Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$38,271,000, HK$13,355,000 and HK$6,946,000 as at 31 December 2015, 2016 and 2017, respectively, as set out below:

Bank borrowings — variable rate

	Weighted average interest rate	Within 3 months	3 months to 1 year	1–5 years	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2015	2.02	15,342	10,967	11,962	38,271	37,511
As at 31 December 2016	2.77	2,659	3,768	6,928	13,355	12,978
As at 31 December 2017	2.84	1,245	3,686	2,015	6,946	6,800

The amounts included above for variable rate instruments for non-derivative financial liabilities are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The management considers that the carrying amounts of the financial assets and financial liabilities of the Group and the Company recorded at amortised cost in the Historical Financial Information at the end of each reporting period approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy

	Level 3 As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Financial asset at fair value through profit or loss	248	—	—

Financial asset	**31 December 2015**	**Fair value as at 31 December 2016**	**2017**	**Fair value hierarchy**	**Valuation technique and key inputs**
Structured foreign currency forward contracts classified as financial assets at fair value through profit or loss in the statement of financial position	Assets — HK$ 248,000	Nil	Nil	Level 3	Discounted cash flow. Future cash flows are estimated based on forward exchange rates at the end of the reporting period (estimated by using Monte Carlo simulation model) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfer between levels during the Track Record Period.

Reconciliation of Level 3 fair value measurements of financial asset

	Financial asset at fair value through profit or loss
	HK$'000
At 1 January 2015	418
Amounts received during the year	(1,566)
Net fair value gains	1,396
At 31 December 2015	248
Amounts received during the year	(2,589)
Net fair value gains	2,341
At 31 December 2016	—
Amounts paid during the year	70
Net fair value loss	(70)
At 31 December 2017	—

30. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments in respect of office premises rented under non-cancellable operating lease which fall due as follows:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	—	—	279
In the second to fifth year inclusive	—	—	47
	—	—	326

The above operating lease payments represent rental payable by the Group for office premises. Lease for office premises is negotiated and fixed for a term of two years.

31. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable	**Bank borrowings**	**Amount due to a related company**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	—	55,278	163	55,441
Financing cash flows *(Note)*	(3,369)	(18,654)	271	(21,752)
Dividend declared	3,369	—	—	3,369
Finance cost	—	887	—	887
At 31 December 2015	—	37,511	434	37,945
Financing cash flows *(Note)*	(14,750)	(25,072)	2,827	(36,995)
Dividend declared	14,750	—	—	14,750
Finance cost	—	539	—	539
At 31 December 2016	—	12,978	3,261	16,239
Financing cash flows *(Note)*	(4,300)	(6,575)	(3,261)	(14,136)
Dividend declared	4,300	—	—	4,300
Finance cost	—	397	—	397
At 31 December 2017	—	6,800	—	6,800

Note:

The cash flows from amount due to a related company, bank borrowings, interest payable and dividend payable make up the net amount of proceeds and repayments in the consolidated statements of cash flows.

32. FINANCIAL INFORMATION OF THE COMPANY

(a) Movement of the Company's reserve

	Other reserve	Accumulated loss	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 19 January 2017 (date of incorporation)	—	—	—
Loss for the period	—	(12,119)	(12,119)
Reserve arising from group reorganisation	23,966	—	23,966
As at 31 December 2017	23,966	(12,119)	11,847

(b) The amount due to a subsidiary as at 31 December 2017 was denominated in HK$, unsecured, interest-free and repayable on demand.

33. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries at the end of each reporting period and the date of this report are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid share capital	Equity interest attributable to the Group as at 31 December 2015	2016	2017	Date of this report	Principal activity
				%	%	%	%	
Market Gala Limited *(note b)*	BVI 10 March 2010	Hong Kong	Ordinary share US$1	100	100	100	100	Investment holding
Vision Garments Limited *(note c)*	Hong Kong 17 March 2010	Hong Kong	Ordinary shares HK$24,000,000	100	100	100	100	Sales of apparel products with the provision of apparel supply chain management services

Notes:

(a) All the companies now comprising the Group adopted 31 December as their financial year end date. Vision Garments Limited has changed its financial year end date from 31 March to 31 December in 2015 as to facilitate the preparation of the consolidated financial statements of the Company for the purpose of the proposed [REDACTED] of the Company's shares on the Stock Exchange. There is no material financial impact on the consolidated financial statements of the Group as a result of the change of financial year end date of Vision Garments Limited.

(b) No audited financial statements have been prepared for Market Gala Limited since its date of incorporation as it was incorporated in jurisdiction where there is no statutory audit requirement. Market Gala Limited is a directly wholly owned subsidiary of the Company.

(c) The statutory financial statements of Vision Garments Limited for the year ended 31 March 2015, period from 1 April 2015 to 31 December 2015 and year ended 31 December 2016, were prepared in accordance with HKFRSs issued by the HKICPA and were audited by certified public accountants in Hong Kong, being Simon Yau & Co., Eddie M.T. NG & Co. and us, respectively. The statutory financial statements of Vision Garments Limited for the year ended 31 December 2017 are not yet due for submission.

34. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Historical Financial Information, subsequent events of the Group are detailed as below.

(a) Declare of dividends

On 9 April 2018, the Company declared dividends with an aggregate amount of HK$6,500,000 to its sole shareholder.

(b) Increase of authorised and issued share capital

On 16 April 2018, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by the creation of an additional 9,962,000,000 shares of HK$0.01 each.

Pursuant to the written resolution passed by the sole shareholder of the Company on 16 April 2018, conditional upon the share premium account of the Company being credited as a result of the [REDACTED] and [REDACTED] of the Company's shares on the Stock Exchange, the directors of the Company were authorised to capitalise the amount of HK$[REDACTED] from the amount standing to the credit of the share premium account of the Company to pay up in full at par of [REDACTED] shares for allotment and issue to Metro Vanguard.

(c) Share option scheme

The Company has conditionally adopted a share option scheme on 16 April 2018, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in Appendix IV to the Document.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries or the Group in respect of any period subsequent to 31 December 2017.

The information set forth in this appendix does not form part of the accountants' report on the financial information for each of the three years ended 31 December 2017 of the Group (the "Accountants' Report on Historical Financial Information") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this document, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the "Accountants' Report on Historical Financial Information" set forth in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The following unaudited pro forma adjusted consolidated net tangible assets of the Group is prepared in accordance with Rules 7.31 of the GEM Listing Rules for illustrative purpose only, and is set out below to illustrate the effect of [REDACTED] on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 as if the [REDACTED] had taken place on that day.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 or at any future dates following the [REDACTED]. It is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 as shown in the Accountants' Report on Historical Financial Information as set out in Appendix I to this document and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 *HK$'000 (Note 1)*	**Estimated [REDACTED] from the [REDACTED]** *HK$'000 (Note 2)*	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017** *HK$'000*	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 per Share** *HK$ (Note 3)*
Based on [REDACTED] of HK$[REDACTED] per [REDACTED]	28,314	[REDACTED]	[REDACTED]	[REDACTED]
Based on [REDACTED] of HK$[REDACTED] per [REDACTED]	28,314	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 is based on the consolidated net assets of the Group attributable to owners of the Company of HK$37,897,000 and after the deduction of intangible assets of HK$9,583,000 as at 31 December 2017 as extracted from the Accountants' Report of our Group as set out in Appendix I to this Document.

2. The estimated [REDACTED] from the [REDACTED] are based on [REDACTED] Shares to be issued at the [REDACTED] of HK$[REDACTED] per [REDACTED] and HK$[REDACTED] per [REDACTED], respectively, being the low-end and high-end of the indicative [REDACTED], respectively, after deduction of the estimated [REDACTED] (excluding approximately [REDACTED] of [REDACTED] recognised in profit or loss up to 31 December 2017). It does not take into account of any shares which may be allotted and issued upon to the exercise of any options that may be granted in the paragraph headed "Share Option Scheme" under the section headed "Share Capital", or any shares which may be issued or repurchased by the Company as referred to in the paragraph headed "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" under the section headed "Share Capital" in this document, as the case may be.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 is calculated based on [REDACTED] shares in issue immediately following the completion of the [REDACTED] and the [REDACTED]. It does not take into account any shares which may be allotted and issued upon the exercise of any option that may be granted in the paragraph headed "Share Option Scheme" under the section headed "Share Capital", or any shares which may be allotted and issued or repurchased by the Company as referred to in the paragraph headed "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" under the section headed "Share Capital" in this document, as the case may be.

4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2017.

5. Assuming the dividends of HK$6,500,000 declared on 9 April 2018 had been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share would have been HK$[REDACTED] and HK$[REDACTED] at the [REDACTED] of HK$[REDACTED] and HK$[REDACTED], respectively, which is calculated based on [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED], taking into consideration the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 of HK$28,314,000, and adjusted for (i) the estimated [REDACTED] from the [REDACTED], and (ii) the declaration of dividends of HK$6,500,000.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 January 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [REDACTED] with effect from the [REDACTED]. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting

two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by 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 twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with

regard to dividend, voting, return of capital, or otherwise, as the board may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also

entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting, particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also, among others, to the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic

form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the

directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his

duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 29 June 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company.

They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Register of Beneficial Ownership

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The register of beneficial ownership is not a public document and is only accessible by a designated competent authority of the Cayman Islands.

Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the Company is [REDACTED] on the Stock Exchange, it is not required to maintain a register of beneficial ownership.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "2. Documents Available for Inspection" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Laws as an exempted company with limited liability on 19 January 2017. Our Company's registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Our Company has established a principal place of business in Hong Kong at No. 4, 7/F, Saxon Tower, 7 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 23 June 2017. In connection with such registration, Mr. Ko Man Ho (高文灝) and Mr. Cheng Ka Wing (鍾嘉榮) have been appointed as the authorised representatives of our Company for the acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operation is subject to the laws of the Cayman Islands and its constitution comprising the Memorandum and the Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this document.

2. Changes in Share Capital of Our Company

The authorised share capital of our Company as at the date of its incorporation was US$50,000 divided into 50,000 shares of US$1.00 each. The following alterations in the share capital of our Company have taken place since the date of its incorporation:

(a) on 19 January 2017, one share of US$1.00 was allotted and issued fully paid at par to the initial subscriber, which was transferred to Metro Vanguard on the same date at par;

(b) on 15 February 2017, 99 shares of US$1.00 each were allocated and issued to Metro Vanguard credited as fully paid as the consideration for the acquisition of the entire issued share capital of Market Gala from Metro Vanguard;

(c) pursuant to the resolutions passed by our Board and our sole Shareholder dated 7 July 2017, the authorised share capital of our Company was increased by HK$380,000 by the creation of 38,000,000 Shares of HK$0.01 each ("**Increase**"). Following the Increase, 100 Shares were allotted and issued nil-paid to Metro Vanguard at a total price of US$100 (equivalent to HK$780) ("**Subscription Price**") and our Company repurchased the then existing 100 shares of US$1.00 each (the "**Existing Shares**") held by Metro Vanguard at a total price of US$100 ("**Repurchase Price**"). The Existing Shares were subsequently cancelled. The Subscription Price was set off by the Repurchase Price and as a result, the 100 nil-paid Shares issued to Metro Vanguard were credited as fully-paid. Thereafter, the 50,000 unissued shares of US$1.00 each in the authorised share capital of our Company were cancelled. As a result of the aforementioned, the share capital of our Company became HK$380,000 divided into 38,000,000 Shares of HK$0.01 each; and

(d) pursuant to the written resolutions of the sole shareholder passed on 16 April 2018, the authorised share capital of our Company was increased from HK$380,000 to HK$100,000,000 by the creation of an additional 9,962,000,000 Shares to rank pari passu with the existing Shares in all respects; and

(e) immediately following completion of the [REDACTED] and the [REDACTED] (not taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the [REDACTED] Scheme), the authorised share capital of our Company will be HK$[REDACTED] divided into [REDACTED] Shares and the issued share capital will be HK$[REDACTED] divided into [REDACTED] Shares, all fully paid or credited as fully paid and [REDACTED] Shares will remain unissued.

Other than the allotment and issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme, 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 our general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid and as mentioned in the sections headed "Share Capital" and "History and Reorganisation — Reorganisation" in this document, there has been no other alteration in the share capital of our Company since the date of its incorporation.

3. Written Resolutions of the Sole Shareholder Dated 16 April 2018

Pursuant to the written resolutions of the sole Shareholder dated 16 April 2018:

(a) the authorised share capital of our Company was increased from HK$380,000 to HK$100,000,000 by the creation of an additional 9,962,000,000 Shares to rank *pari passu* with the existing Shares in all respects;

(b) our Company approved and adopted the Memorandum of Association and the Articles of Association with effect upon the [REDACTED];

(c) conditional on (A) the [REDACTED] Division of the Stock Exchange granting the [REDACTED] of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the [REDACTED] and the [REDACTED] (including any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); (B) the [REDACTED] having been duly determined in accordance with the terms of the [REDACTED] and the execution and delivery of the [REDACTED] and (C) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of such agreements or otherwise, in each case, on or before the dates and times specified in the [REDACTED] (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than the date falling 30 days after the date of the issue of document:

(i) the [REDACTED] was approved and our Directors were authorised to allot and issue the [REDACTED] subject to the terms and conditions stated in this document;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the subsection headed "D. Share Option Scheme" of this appendix, were approved and adopted and our Directors were authorised to implement the same, grant options to subscribers for Shares thereunder and to allot and issue Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme;

(iii) conditional further on the share premium account of our Company being credited as a result of the [REDACTED], our Directors were hereby authorised to capitalise an amount of HK$[REDACTED] standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par [REDACTED] Shares for allotment and issue to the persons whose names appear on the principal register of members of our Company in the Cayman Islands at the close of business on the date the resolution was passed in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, save for the entitlements to the [REDACTED], each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend on Shares in accordance with the Memorandum and the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under the [REDACTED] or the [REDACTED]) unissued Shares with a total number not exceeding 20% of the number of Shares in issue and as enlarged immediately following completion of the [REDACTED] and the [REDACTED] (excluding any issue of Shares which may fall to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Memorandum and the Articles of Association or the Companies Law or any applicable law of the Cayman Islands to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying such mandate, whichever is the earliest;

(v) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose Shares with a total number not exceeding 10% of the number of Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED] (excluding any issue of Shares which may fall to be issued

pursuant to the exercise of any options which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Memorandum and the Articles of Association or the Companies Law or any applicable law of the Cayman Islands to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying such mandate, whichever is the earliest; and

(vi) conditional on the passing of the resolutions referred to in sub-paragraphs (iv) and (v) above, the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate number of Shares which may be allotted, issued or dealt with by our Directors pursuant to such general mandate of the number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (v) above provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the [REDACTED] Scheme.

4. Reorganisation

The companies comprising our Group underwent the Reorganisation, pursuant to which our Company became the holding company of our Group. For the major steps of the Reorganisation, please refer to the section headed "History and Reorganisation — Reorganisation" in this document.

5. Changes in Share Capital of Subsidiaries in Our Company

As at the Latest Practicable Date, we have two subsidiaries, namely Market Gala and Vision Garments. Set out below is a summary of the corporate information of Market Gala and Vision Garments:

(a) Market Gala

Date of incorporation:	10 March 2010
Registered Office:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Nature:	Limited liability company
Principle business activities:	Investment holding
Issued share capital:	US$1.00
Paid up share capital:	US$1.00
Shareholder:	Our Company

(b) Vision Garments

Date of incorporation:	17 March 2010
Registered Office:	No. 4, 7/F, Saxon Tower 7 Cheung Shun Street, Lai Chi Kok Kowloon, Hong Kong
Nature:	Limited liability company
Principle business activities:	Apparel SCM services
Issued share capital:	HK$24,000,000.00
Paid up share capital:	HK$24,000,000.00
Shareholder:	Market Gala

Save as mentioned in the section headed "History and Reorganization" in this document, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

6. Repurchase of Our Own Shares

This section includes information relating to the repurchase of our Shares, including information required by the Stock Exchange to be included in this document concerning such repurchase.

(a) Relevant Legal and Regulatory Requirements

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below.

(b) Shareholders' Approval

All proposed repurchase of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: The Repurchase Mandate was granted to our Directors pursuant to a written resolution of our sole shareholder dated 16 April 2018 authorising them to exercise all powers of our Company to repurchase Shares of not exceeding 10% of the total number of our Company in issue immediately following the completion of the [REDACTED] and the [REDACTED] (excluding Shares which may fall to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Memorandum and the Articles of Association or any applicable law of the Cayman Islands to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the the Repurchase Mandate, whichever is the earliest.

(c) Source of Funds

Repurchase must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association, 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 from time to time. Under the Cayman Islands law, any repurchase of Shares by our Company may be made out of profits or share premium of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the provisions of the Companies Law, a repurchase may also be made out of the share capital of our Company.

(d) Trading Restrictions

Our Company may repurchase up to 10% of the number of Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED] (excluding Shares which may fall to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed issue of the Shares for a period of 30 days immediately following a repurchase of Shares (except pursuant to the exercise of warrants, share options or similar instruments requiring our Company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchase our Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The broker appointed by our Company to effect a repurchase of the Shares is required to disclose to the Stock Exchange any information with respect to a Share repurchase as the Stock Exchange may require. Our Company shall not repurchase our Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which our Shares were traded on the Stock Exchange.

(e) Status of Shares Repurchased

All Shares repurchased (whether on the Stock Exchange or otherwise) will be cancelled and the certificates for those Shares must be cancelled and destroyed. Under the Cayman Islands law, shares repurchased by a company may be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the shares repurchased accordingly although the authorised share capital of the company will not be reduced.

(f) Suspension of Repurchase

Repurchase of Shares is prohibited after inside information has come to our Company's knowledge until the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (aa) the date of the Board

meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the results of our Company for any year, half-year or quarter-year period or any other interim period (whether or not reported under the GEM Listing Rules); and (bb) the deadline for our Company to announce its results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, our Company may not repurchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit repurchase of Shares on the Stock Exchange if our Company has breached the GEM Listing Rules.

(g) Reporting Requirements

Certain information relating to repurchase of securities on GEM or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, our Company's annual report and accounts are required to disclose details regarding repurchase of Shares made during the financial year under review, including the number of Shares repurchased each month (whether on the Stock Exchange or otherwise) and the purchase price per Share or the highest and lowest prices paid for all such repurchase, where relevant, and the aggregate prices paid. The directors' report is also required to contain reference to the repurchase made during the year and the directors' reasons for making such repurchase.

(h) Core Connected Persons

According to the GEM Listing Rules, a company is prohibited from knowingly repurchase securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of such company or any of its subsidiaries or any of their close associates and a core connected person shall not knowingly sell his/her/its securities to our Company on the Stock Exchange.

(i) Reasons for Repurchase

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or earnings per Share and will only be made when our Directors believe that such repurchase will benefit our Company and our Shareholders.

(j) Funding of Repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

There could be material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this document if the Repurchase Mandate were to be exercised in full. Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(k) General

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after completion of the [REDACTED] and the [REDACTED] (not taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), would result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

None of our Directors nor, to the best and belief of their knowledge having made all reasonable inquiries, any of their close associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the 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 increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code.

Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not presently aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchase pursuant to the Repurchase Mandate.

No core connected person (as defined in the GEM Listing Rules) has notified our Company that he/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of Material Contracts

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this document, and are or may be material:

(a) the instrument of transfer and bought and sold notes dated 15 February 2017 and entered into between Metro Vanguard and our Company, pursuant to which our Company acquired one share of Market Gala from Metro Vanguard at a consideration of 99 shares issued by our Company to Metro Vanguard, credited as fully paid;

(b) the trademark purchase and assignment agreement dated 29 July 2017 entered into between Vision Garments and Mr. Salomon Avraham Wolf, pursuant to which Mr. Salomon Avraham Wolf assigned with full title guarantee to Vision Garments the trademarks "GC Fontana" which is registered in classes 18 and 25 in Germany under registration number 30773974 and registered in the European Union in classes 22, 24 and 26 under registration number 008598666 and the trademark "GC Fontana Cashmere" which is registered in classes 18 and 25 in Germany under registration number 30773975 and registered in the European Union in classes 22, 24 and 26 under registration number 008598674 together with all and any rights attached thereto and any goodwill which has been generated from use thereof in Germany and the European Union at the consideration of HK$10 million;

(c) Deed of Indemnity;

(d) Deed of Non-competition; and

(e) [REDACTED].

2. Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, we were the registered owner of the following trademarks:

Trademark	Name of registrant	Place of registration	Class	Registration No.	Expiry date
GC Fontana	Vision Garments	EU	22, 24, 26	008598666	17 September 2019
GC Fontana	Vision Garments	Germany	18, 25	30773974	30 November 2027
GC Fontana Cashmere	Vision Garments	EU	22, 24, 26	008598674	17 September 2019
GC Fontana Cashmere	Vision Garments	Germany	18, 25	30773975	30 November 2027
VISION	Our Company	Hong Kong	18, 22, 23, 24, 26, 35, 39	304079160AA	16 March 2027

(b) Domain Names

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Registered owner	Registration date	Expiry date
www.vision-holdings.com.hk	Vision Garments	25 January 2017	25 January 2020

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF AND EXPERTS

1. Interests and Short Positions of the Directors and the Chief Executives of Our Company in the Shares, Underlying Shares or Debentures of Our Company and Our Associated Corporations

Immediately following completion of the [REDACTED] and the [REDACTED] (not taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

(a) Long Position in Our Shares

Name of Director	Nature of interest and capacity	Number of Shares held *(Note 1)*	Percentage of issued share capital
Mr. Ko	Interest in a controlled corporation *(Note 2)*	[REDACTED] (L)	[REDACTED]%

Notes:

1. The letter "L" denotes to the long position in the Shares.

2. The Shares are registered in the name of Metro Vanguard, the issued share capital of which is wholly owned by Mr. Ko. Accordingly, Mr. Ko is deemed to be interested in all the Shares held by Metro Vanguard for the purpose of Part XV of the SFO.

(b) Long Position in the Shares of Associated Corporation

Name of Director	Name of associated corporation	Capacity/ nature of interest	Number and class of securities	Percentage of issued share capital
Mr. Ko	Metro Vanguard	Beneficial owner	100 ordinary shares	100%

2. Interests and/or Short Positions of Substantial Shareholders in the Shares, and Underlying Shares of Our Company and Any Other Members of Our Group

So far as known to our Directors, immediately following completion of the [REDACTED] and the [REDACTED] (not taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of our Company) will have an interest or a short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of any class of share capital carrying voting rights of our Company or any other members of our Group:

Long Position in Our Shares

Name	Nature of interest and capacity	Number of Shares held *(Note 1)*	Percentage of issued share capital
Metro Vanguard	Beneficial owner	[REDACTED] (L)	[REDACTED]%
Ms. Chan	Interest of spouse *(Note 2)*	[REDACTED] (L)	[REDACTED]%

Notes:

1. The letter "L" denotes to the long position in the Shares.

2. Ms. Chan is the spouse of Mr. Ko. By virtue of the SFO, she is deemed to be interested in all Shares in which Mr. Ko is interested.

3. Particulars of Service Contracts

Each of our executive Directors, has entered into a service agreement with our Company on 16 April 2018 for an initial term of three years commencing from the [REDACTED], and will continue thereafter until terminated by not less than one month's notice in writing served by either party on the other. Under such service contracts, the initial annual salary (excluding any discretionary bonuses) payable to our executive Directors is as follows, and such salary will be reviewed annually by our Board and the remuneration committee of our Company:

Name of Executive Director	HK$ (per annum)
Mr. Ko	303,636
Mr. Morris Ko	696,000
Mr. Cheng Ka Wing (鍾嘉榮)	696,000

Each of our independent non-executive Directors has entered into a letter of appointment with our Company on 16 April 2018. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our independent non-executive Directors is appointed with an initial term of three years commencing from the [REDACTED] subject to termination by either party, giving at least three months notice in writing. Under the letters of appointment, the annual director's fees payable to our independent non-executive Directors are as follows:

Name of Independent Non-executive Directors	HK$ (per annum)
Mr. To King Yan, Adam (杜景仁)	120,000
Mr. Chan Kim Sun (陳劍燊)	120,000
Mr. Kwok Chee Kin (郭志堅)	120,000

Save for such director's fee, none of the independent non-executive Directors is expected to receive any other emolument for holding his office as an independent non-executive director.

Save as the services agreements and letters of appointment disclosed above, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Each of the above remunerations is determined by our Company with reference to duties and level of responsibilities of each Director and the remuneration policy of our Company and the prevailing market conditions.

4. Directors' Emoluments

(i) For the years ended 31 December 2015, 2016 and 2017, the aggregate emoluments paid and benefits in kind granted by us to our Directors were HK$0.3 million, HK$0.4 million and HK$1.5 million, respectively. The emoluments disclosed aforesaid include remuneration paid to Mr. Morris Ko and Mr. Cheng Ka Wing during the Track Record Period for their services as employees of our Group.

(ii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2017 (1) as an inducement to join or upon joining our Company or (2) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iii) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2017.

Under the arrangements currently proposed, conditional upon the [REDACTED], the estimated aggregate remuneration payable to, and benefits in kind receivable by (excluding any discretionary bonuses), our Directors in respect of the year ending 31 December 2018 is HK$1.9 million.

(iv) Each of our Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by us from time to time or in discharge of his/her duties to our Group under his service contract.

5. Agency Fees or Commissions Received

Save as disclosed in this document, within the two years immediately preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Share or loan capital of our Company or any of our subsidiaries.

6. Related Party Transactions

Details of the related party transactions are set out under note 27 to the Accountants' Report as set out in Appendix I to this document.

7. Disclaimers

Save as disclosed in this document:

(i) without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following the completion of the [REDACTED] will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of any class of share capital carrying voting rights of our Company or any other member of our Group;

(ii) none of our Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, any interests and short positions in the Shares, underlying shares, and debentures of our Company or any associated

corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are [REDACTED] on the Stock Exchange;

(iii) none of our Directors or the experts named in the paragraph headed "E. Other Information — 6. Qualifications of Experts" in this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this document, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for the [REDACTED] either in his own name or in the name of a nominee;

(iv) none of our Directors or the experts named in the subsection headed "E. Other Information — 6. Qualifications of Experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business taken as a whole; and

(v) Save in connection with the [REDACTED], none of the experts named in the subsection headed "E. Other Information — 6. Qualifications of Experts" in this appendix has any shareholding in any member in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group.

D. SHARE OPTION SCHEME

Summary of the Terms of the Share Option Scheme

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Company to grant options to the employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of our Company or any subsidiary (including any director of our Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by our Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the board of Directors (the"**Eligible Participants**"), has contributed or may contribute to our Group as incentive or reward for their contribution to our Group to subscribe for the Shares thereby linking their interest with that of our Group.

(b) Grant and Acceptance of Options

Subject to the terms of the Share Option Scheme, our Directors may, in its absolute discretion make offer to the Eligible Participants. An offer shall be made to an Eligible Participant in writing in such form as our Directors may from time to time determine and shall remain open for

acceptance by the Eligible Participant concerned for a period of 21 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the same.

An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a non-refundable remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from, and inclusive of, the date of offer). Any offer may be accepted by an Eligible Participant in respect of less than the total number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

(c) Subscription Price of Shares

The subscription price for Shares under the Share Option Scheme shall be determined at the discretion of our Directors but in any event will not be less than the highest of (a) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a business day; (b) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.

(d) Maximum Number of Shares

(i) Subject to (iii) below, the maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of our Group shall not exceed such number of Shares as equals 10% of the issued share capital of our Company at the [REDACTED]. On the basis of a total of [REDACTED] Shares in issue as at the [REDACTED], the relevant limit will be [REDACTED] Shares which represent 10% of the issued Shares at the [REDACTED]. Our Company may seek approval by our Shareholders in general meeting to refresh the 10% limit provided that the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes of our Group in these circumstances must not exceed 10% of the issued share capital of our Company at the date of approval of refreshing of the limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes and exercised options) will not be counted for the purpose of calculating the limit as refreshed.

(ii) Our Company may seek separate approval by our shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the limit are granted only to Eligible Participant specifically identified by our Company before such approval is sought. Our Company will send a circular to our Shareholders containing a generic description of the specified Eligible Participant who may be granted such

options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participant with an explanation as to how the terms of the options serve such purpose, and such information as may be required under the GEM Listing Rules from time to time. The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other share option schemes of our Group must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Group if this will result in the limit being exceeded.

(iii) Unless approved by our Shareholders in the manner set out below, the total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue. Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting. Our Company must send a circular to our shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant), and such information as may be required under the GEM Listing Rules from time to time. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before shareholders' approval and the date of meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(iv) The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Directors shall make available sufficient of the then authorised but unissued share capital of our Company to allot the Shares on the exercise of any option.

(e) Exercise of Options

An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant.

Subject to terms of the Share Option Scheme, an option shall be exercisable in whole or in part in the circumstances by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised. Each such notice must be accompanied by a non-refundable remittance for the full amount of the subscription price for Shares in respect of which the notice is given. Within 21 days after receipt of the notice and, where appropriate, receipt of the auditors' or the independent financial adviser's certificate, our

Company shall accordingly allot the relevant number of Shares to the grantee (or his legal personal representative) credited as fully paid. Though there is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms and conditions of the Share Option Scheme, our Directors may make such grant of options, subject to such terms and conditions in relation to the minimum period of such options to be held and/or the performance targets to be achieved as our Directors may determine in their absolute discretion.

(f) Restrictions on the Time of Grant of Options

Grant of options may not be made when inside information has come to the knowledge of our Company until such inside information has been announced in accordance with relevant the requirements of the GEM Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of our Company's quarterly, interim or annual results and (ii) the deadline for our Company to publish its quarterly, interim or annual results announcement, and ending on the date of such results announcement.

(g) Rights are Personal to Grantees

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement to do so.

(h) Rights on Ceasing Employment

The option period in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the date on which the grantee ceases to be an Eligible Participant by reason of a termination of his employment on any one or more of the grounds that he has been guilty of persistent or serious misconduct, or has become bankrupt or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or any member of our Group into disrepute).

(i) Rights on Death

In the event of the grantee ceasing to be an Eligible Participant by reason of his death before exercising the option in full and where the grantee is any employee of our Group none of the events which would be a ground for termination of his employment under paragraph (h) above arises, his personal representative(s) 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 death, or such longer period as our Directors may determine.

(j) Cancellation of Options

Where our Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by our Shareholders as mentioned in paragraph (d) above.

(k) Effect of Alterations to Share Capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue or other offer of securities to holders of Shares (including any securities convertible into share capital or warrants or options to subscribe for any share capital of our Company, but excluding options under the Share Option Scheme and options under any other similar employee share option scheme of our Company), consolidation, sub-division or reduction of the share capital of our Company or otherwise howsoever, then, in any such case (other than in the case of capitalisation of profits or reserves) our Company shall instruct the auditors or an independent financial adviser to certify in writing:

(A) the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:

i. the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised); and/or

ii. the subscription price; and/or

iii. the maximum number of Shares referred to in paragraph d(i); and/or

iv. the method of the exercise of the option(s).

and an adjustment as so certified by the independent financial adviser or the auditors shall be made, provided that:

i. any such adjustment must give a grantee the same proportion of the equity capital as that to which that person was previously entitled;

ii. any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;

iii. no such adjustment shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value;

iv. the issue of securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and

v. to the advantage in any respect of the grantee without specific prior approval of our Shareholders.

(B) in respect of any such adjustment, other than any made on a capitalisation issue, the independent financial adviser or the auditors must confirm to our Directors in writing that the adjustment so made satisfies the requirements of the relevant provisions of the GEM Listing Rules and any guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

(l) Rights on a General Offer

If a general or partial offer 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 its 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, the grantee shall, notwithstanding any other term on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and up to the close of such offer (or any revised offer).

(m) Rights on Winding Up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as it despatches such notice to each member of our Company give notice thereof to all grantees (containing an extract of the provisions of this paragraph) and thereupon, each grantee or his personal representative(s) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.

(n) Rights on a Compromise or Arrangement

Other than a general or partial offer or a scheme of arrangement contemplated in paragraph (o) below, in the event of a compromise or arrangement between our Company and its members or creditors being proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and any grantee or his personal representative(s) may by notice in writing to our Company accompanied by a remittance of the full amount of the subscription price in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice.

(o) Rights on a Scheme of Arrangement

If a general or partial offer by way of scheme of arrangement 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 its 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 scheme of arrangement is formally proposed to our Shareholders, the grantee shall, notwithstanding any other term on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and the record date for entitlements under the scheme of arrangement.

(p) Ranking of Shares

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with the existing 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 reopening of the register of members 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 upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered onto the register of members of our Company as the holder thereof.

(q) Duration and Administration of the Share Option Scheme

The Share Option Scheme shall be valid and effective commencing from the adoption date of the Share Option Scheme until the termination date as provided therein (which being the close of business of our Company on the date which falls ten years from the date of the adoption of the Share Option Scheme), after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. The Share Option Scheme shall be subject to the administration of our Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided herein and in the absence of manifest error) be final and binding on all persons who may be affected thereby.

(r) Alterations to the Terms of the Share Option Scheme

(i) The provisions relating to the matters set out in Rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of Eligible Participants without the prior approval of our Shareholders in general meeting;

(ii) any alteration to the terms and conditions of the provisions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;

(iii) any change to the authority of our Directors or administrator of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting; and

(iv) the amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of the GEM Listing Rules and any guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

(s) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon:

(i) the [REDACTED] of the Stock Exchange granting the [REDACTED] of, and permission to deal in, any Shares to be issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme;

(ii) commencement of [REDACTED] of Shares on the Stock Exchange; and

(iii) the passing of the necessary resolution to approve and adopt the Share Option Scheme by our Shareholder(s) in general meeting or by way of written resolution and to authorise our Directors to grant options at their absolute discretion thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options granted under the Share Option Scheme.

(t) Grant of Options to Connected Persons or Any of Their Associates

Each grant of options to a Director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of our Company or an independent non-executive Director, or any of their respective associates must be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the option (if any)). Where any grant of options to a substantial Shareholder or an independent non-executive Director, or any of their respective 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:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of options must be approved by our Shareholders. Our Company must send a circular to its Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting at such general meeting, except that such grantee, his associate,

or core connected person of our Company 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. The circular must contain:

(i) details of the number and terms (including the subscription price) of the options to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price;

(ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options) to the independent Shareholders as to voting; and

(iii) the information as may be required under the GEM Listing Rules from time to time. Shareholders' approval is also required for any change in the terms of options granted to an Eligible Participant who is a substantial shareholder (as defined in the GEM Listing Rules) of our Company or an independent non-executive Director, or any of their respective associates.

(u) Lapse of Option

The Option Period (as defined in the Share Option Scheme) in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the earliest of:

(i) the expiry of the Option Period;

(ii) the expiry of any of the periods referred to in paragraphs (h), (i) or (n), where applicable;

(iii) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining shares in the offer, the expiry of the period referred to in paragraph (l);

(iv) subject to the scheme of arrangement becoming effective, the expiry date of the period referred to in paragraph (o);

(v) the date on which the grantee ceases to be an Eligible Participant for any reason other than his death or the termination of his employment or engagement on one or more grounds specified in (vi) below;

(vi) the date on which the grantee of an option ceases to be an Eligible Participant by reason of the termination of his employment or engagement on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence;

(vii) the date of the commencement of the winding-up of our Company referred to in paragraph (m);

(viii) the date on which the grantee commits a breach of paragraph (g); or

(ix) the date on which the option is cancelled by the Board as set out in paragraph (j).

(v) Termination

Our Company may by an ordinary resolution in general meeting at any time terminate the operation of the Share Option Scheme and in such event no further options will 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 granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Miscellaneous

Any dispute arising in connection with the number of Shares of an option, any of the matters referred to in paragraph (k) above shall be referred to the decision of the auditors of our Company or an independent financial adviser who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

Present Status of the Share Option Scheme

1. Approval and Adoption of the Rules of the Share Option Scheme

The rules of the Share Option Scheme were approved and conditionally adopted by our sole Shareholder on [REDACTED].

2. Approval of the Stock Exchange Required

The Share Option Scheme is conditional, among other matters, on the Stock Exchange granting the [REDACTED] of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of the options under the Share Option Scheme up to the 10% of the Shares in issue as at the [REDACTED].

3. Application for [REDACTED]

Application has been made to the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed [REDACTED] Shares, being 10% of the total number of Shares in issue as at the [REDACTED] unless our Company obtains the approval of our Shareholders in general meeting for renewing the said 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating the 10% limit above-mentioned.

4. Grant of Option

As at the Latest Practicable Date, no options have been granted or agreed to be granted under the Share Option Scheme.

5. Value of Options

Our 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. Our 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.

Our Board confirms that it will not approve the exercise of any option if as a result of which our Company will not be able to comply with the public float requirements under the GEM Listing Rule.

E. OTHER INFORMATION

1. Tax and Other Indemnities

Our Controlling Shareholders, under the Deed of Indemnity, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things:

(a) any estate duty, death duty, inheritance tax, succession duty or any other similar tax or duty which is or becomes payable by our Company or any other members of our Group (the "**Group Companies**") by the operation of any estate duty, death duty, inheritance tax, succession duty or any other similar legislation in any relevant jurisdiction outside Hong Kong as a result or in consequence of any event or transaction occurring on or before the date on which the [REDACTED] becomes unconditional (the "**Relevant Date**"), whether or not such event or transaction shall have taken place in conjunction with any circumstances whenever occurring;

(b) any Hong Kong estate duty which is or becomes payable by our Company or any of the Group Companies by the operation of the provisions of sections 35 to 43 (inclusive) of the Estate Duty Ordinance as a result of the death of any individual who has before death made any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance) to our Company or any of the Group Companies;

(c) any loss or liability suffered by our Company or any of the Group Companies including, but not limited to, any diminution in the value of the assets or Shares or shares in any of the Group Companies, any payment made or required to be made by our Company or any of the Group Companies and any costs and expenses incurred as a result of or in connection with any taxation claim falling on our Company or any of the Group

Companies resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Relevant Date or any event on or before the Relevant Date whether alone or in conjunction with other circumstances and whether or not such taxation is chargeable against or attributable to any other person, firm or company;

(d) all claims, actions, demands, proceeds, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines incurred or suffered by our Company or the Group Companies arising from any claims brought by any regulatory authorities or any other third party in connection with any non-compliance with the applicable laws, rules or regulations by our Company and/or any of the Group Companies on or before the Relevant Date;

(e) all costs (including all legal costs), expenses, interests, penalties or other liabilities which our Company or any of the Group Companies may properly incur in connection with:

(i) the investigation, assessment or the contesting of any claim;

(ii) the settlement of any claim;

(iii) any legal proceedings in which our Company or any of the Group Companies claims under or in respect of this Deed of Indemnity and in which judgment is given in favour of our Company or any of the Group Companies; or

(iv) the enforcement of any such settlement or judgment in respect of any claim.

Our Controlling Shareholders will, however, not be liable for any taxation, among others:

(a) to the extent that provision has been made for such taxation in the audited consolidated accounts of our Company and its subsidiaries as set out in the accountants' report set out in Appendix I to this document for the three financial years ended 31 December 2017;

(b) for which any member of the Group Companies is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Relevant Date; and

(c) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in the Cayman Islands, the BVI or any other jurisdictions coming into force after the Relevant Date or to the extent such Claim arises or is increased by an increase in the rates of taxation after the Relevant Date with retrospective effect.

2. Litigation

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation or arbitration of material importance, and no litigation or claim of material importance was known to the Directors to be pending or threatened against our Company or any of our subsidiaries.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the [REDACTED] of, and permission to deal in, our Shares in issue and to be issued as mentioned in this document and any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme on the GEM.

The Sole Sponsor satisfies the independence criteria applicable to sponsors under Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor is entitled to the sponsor's fee in the amount of HK$4.5 million.

4. Preliminary Expenses

The preliminary expenses of our Company are HK$36,000 and have been paid by our Company.

5. Promoter

Our Company has no promoter for the purposes of the GEM Listing Rules. Save as disclosed in this document, within two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

Our Company has no promoter for the purpose of the GEM Listing Rules.

6. Qualifications of Experts

The qualifications of the experts who have given opinions and/or whose names are included in this document are as follows:

Name	Qualifications
Giraffe Capital Limited	Licensed corporation to conduct type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
China Insights Consultancy Limited	Industry research consultant
Squire Patton Boggs (US) LLP	Legal advisers as to German law

7. Consents of Experts

Each of the experts named in the paragraph headed "E. Other Information — 6. Qualifications of Experts" in this appendix has given and has not withdrawn its respective written consent to the issue of this document with copies of its reports and/or letters and/or the references to its name included herein in the form and context in which they are respectively included.

None of the experts named in the paragraph headed "E. Other Information — 6. Qualifications of Experts" in this appendix has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Binding Effect

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. [REDACTED]

Our Company's principal register of members will be maintained in the Cayman Islands by our Cayman Islands [REDACTED], [REDACTED], and a register of members will be maintained in Hong Kong by our [REDACTED], [REDACTED]. Unless our Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by our [REDACTED] in Hong Kong and may not be lodged in the Cayman Islands.

10. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

11. Miscellaneous

Save as disclosed in this document:

(a) within the two years immediately preceding the date of this document:

  (i) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and

  (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

(b) no share, warrant or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(d) all necessary arrangements have been made enabling the Shares to be admitted into [REDACTED];

(e) our Company has no outstanding convertible debt securities;

(f) neither our Company nor any of our subsidiaries has issued or agreed to issue any founder shares or management shares or deferred shares or any debentures;

(g) our Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company;

(h) our Directors confirm that there has been no material adverse change in our financial or trading position or prospects of our Group since 31 December 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up);

(i) there has not been any interruption in the business of our Group which may have or have had a significant effect on our financial position in the 24 months immediately preceding the date of this document; and

(j) none of the experts listed in the subsection headed "— E. Other Information — 6. Qualifications of Experts" in this appendix:

(i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy in this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the [REDACTED], [REDACTED] and [REDACTED];

(b) a copy of each of the material contracts referred to in the section headed "Statutory and General Information — B. Further Information About the Business of Our Group — 1. Summary of Material Contracts" in Appendix IV to this document; and

(c) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 7. Consents of Experts" in Appendix IV to this document.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Miao & Co. (in Association with Han Kun Law Offices) at 2001–02 Hutchison House, 10 Harcourt Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date in this document:

(a) the Memorandum and Articles of Association of our Company;

(b) the Accountants' Report, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2017;

(d) the independent reporting accountants assurance report prepared by Deloitte Touche Tohmatsu in relation to the unaudited pro forma financial information of our Group the texts of which is set out in Appendix II to this document;

(e) the letter of advice prepared by Squire Patton Boggs (US) LLP, our German legal advisers, summarising certain aspects of the German law referred to in the section headed "Regulatory Overview" in this document;

(f) the letter of advice prepared by Conyers Dill & Pearman, our Cayman Islands legal advisers, summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this document;

(g) the Companies Law;

(h) the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about the Business of Our Group — 1. Summary of Material Contracts" in Appendix IV to this document;

(i) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 7. Consents of Experts" in Appendix IV to this document;

(j) the service contracts and letters of appointment referred to in the section headed "Statutory and General Information — C. Further Information about Directors, Management, Staff and Experts — 3. Particulars of Service Contracts" in Appendix IV to this document;

(k) the CIC Report; and

(l) the rules of the Share Option Scheme.