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POST HEARING INFORMATION PACK

of

Hanbo Enterprises Holdings Limited

恒寶企業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

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Hanbo Enterprises Holdings Limited

恒寶企業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Nominal Value : HK$0.01 per Share

[REDACTED]

Sponsor

Quam CAPITAL 華富嘉洛企業融資

[REDACTED]

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The **[REDACTED]** is expected to be fixed by agreement between our Company and the **[REDACTED]**, for itself and on behalf of the **[REDACTED]**, on or around **[REDACTED]**, but in any event no later than **[REDACTED]**. If, for any reason, the **[REDACTED]**, for itself and on behalf of the **[REDACTED]**, and our Company are unable to reach an agreement on the **[REDACTED]** by **[REDACTED]**, the **[REDACTED]** will not become unconditional and will lapse immediately. 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 not later than the morning of the last day for lodging applications under the **[REDACTED]**. The **[REDACTED]**, for itself and on behalf of the **[REDACTED]** may, with the consent of our Company, reduce the number of **[REDACTED]** being offered under the **[REDACTED]** and/or the indicative **[REDACTED]** range stated in this document at any time on or prior to the morning of the last day for lodging applications under the **[REDACTED]**. In such a case, a notice of the reduction in the number of **[REDACTED]** being offered under the **[REDACTED]** and/or of the indicative **[REDACTED]** range will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.hanbo.com** not later than the morning of the last day for lodging applications under the **[REDACTED]**. Further details are set out in "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares".

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 "Risk Factors".

Pursuant to the termination provisions contained in the **[REDACTED]** in respect of the **[REDACTED]**, the **[REDACTED]**, for itself and on behalf of the **[REDACTED]**, has the right in certain circumstances, in its sole discretion, to terminate the obligations of the **[REDACTED]** pursuant to the **[REDACTED]** at any time prior to 8:00 a.m. (Hong Kong time) on the **[REDACTED]** (which is currently expected to be **[REDACTED]**). Further details of the terms of the termination provisions are set out in "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offer — Hong Kong Underwriting Agreement — Grounds for termination". It is important that you refer to that section for further details.

The **[REDACTED]** have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of US persons, except pursuant to an exemption form, or in a transaction not subject to, the registration requirement under the US Securities Act.

No information on any website forms part of this document.

[REDACTED]

EXPECTED TIMETABLE(1)

[REDACTED]

EXPECTED TIMETABLE(1)

[REDACTED]

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This summary aims to give you an overview of the information contained in this document. Since it 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 this document in its entirety including the appendices hereto 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 "Risk Factors" on pages 41 to 43. You should read that section carefully before you decide whether to invest in the* [REDACTED]*.

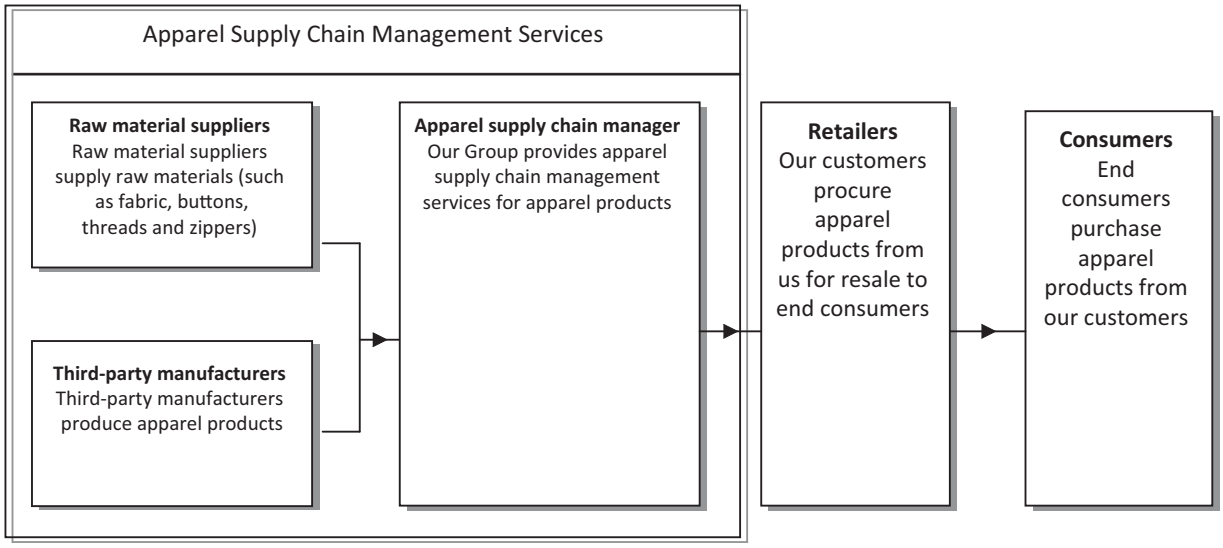
OVERVIEW

We are an apparel supply chain manager and were established in 1991. We act as a one-stop solution provider by providing a wide range of services to our customers to meet their needs along the apparel supply chain. We focus on woven wear, such as shirts, pants, jeans and jackets. Our apparel supply chain management services include sourcing of raw materials and third-party manufacturers, sample creation, product design and development, production management, merchandising, quality control, logistics management and social compliance monitoring services.

We believe that we play an integral role, and are heavily involved, in each step and the entire flow of the apparel supply chain.

BUSINESS MODEL

The following diagram illustrates our business model for the provision of our apparel supply chain management services:



Sourcing of orders

During the Track Record Period, we generally obtained our orders through (i) liaising directly with representative(s) from the headquarters of our existing customers or potential customers and took orders from them; or (ii) liaising directly with the relevant sourcing agent engaged by one of our customers and took orders from the representative(s) from the headquarters of such customer.

Sourcing of raw materials

During the Track Record Period, the raw materials (including fabric, buttons, threads and zippers) used in the manufacture of the apparel products we procured for our customers were mainly sourced

from suppliers based in the PRC and Hong Kong. We, or we (on behalf of the third-party manufacturer), or the third-party manufacturer would source suitable raw materials (such as fabric, buttons, threads and zippers) from suppliers which are either recommended by us or nominated by our customers. Typically, the third-party manufacturers would source the raw materials directly from the raw materials suppliers. However, if a large amount of raw materials is required for a particular order from a customer and a third-party manufacturer does not have the financial resources to purchase such raw materials, we (on behalf of the third-party manufacturer) would purchase the required raw materials.

Production management

Instead of being heavily involved in the actual production process for the production of the apparel products, we have ceased our own in-house production of apparel products at the Contract Processing Factory since April 2012 and also outsourced the labour-intensive manufacturing function to various third-party manufacturers located mainly in Cambodia, Bangladesh and the PRC. As such, in terms of the production process of apparel products, we mainly manage and monitor the overall production process of the apparel products. Our production management services include the procurement of suitable raw materials and the inspection of the quality of such raw materials; the selection of suitable third-party manufacturers and overseeing the performance of the third-party manufacturers; and the coordination of the apparel supply chain management services that we provide.

As we do not enter into long-term contracts with our third-party manufacturers, our costs of production may increase if our third-party manufacturers increase their subcontracting fees which we may not be able to pass along to our customers. For the associated risks, see "Risk Factors — Risks relating to our business — We are dependent on third-party manufacturers for the production of apparel products, so disruption to our relationship with them or their manufacturing operations could adversely affect our apparel supply chain management services." (pages 25 to 26).

Pricing strategy

The apparel products are priced separately for each order based on the estimated cost of, and/or the suggested merchandise price for, such product. We agree the prices of the apparel products with our customers after the product designs are finalised and the product samples have been approved by our customers. The apparel products are price sensitive in the sense that the agreed prices will usually not be adjusted even if, subsequently, there are changes to the price of the raw materials we source from our suppliers or the prices of finished apparel products manufactured by the third-party manufacturers, or changes to the subcontracting fees charged by the third-party manufacturers. In determining the estimated cost of the apparel product, we estimate the associated product design and development costs and subcontracting fees. When determining final price for an apparel product, we would consider a number of other factors such as the size of relevant order, the type of the apparel product, our relationship with the relevant customer and the timing for delivery.

Our sales are subject to seasonal fluctuations and are largely determined in part by two major fashion seasons: spring/summer and autumn/winter. We generally record higher sales from December to April as our customers have higher demand for woven wear products for their spring/summer collections. For the associated risks, see "Risk Factors — Risks relating to our industry — Our sales may be affected by seasonality. Any seasonal fluctuations may affect the number of orders that customers place with us and may not match our expectations, which could adversely affect our financial conditions and results of operation." (pages 34 to 35).

CUSTOMERS AND SUPPLIERS

Customers

Our customers comprise mainly well-known and reputable specialty stores (including Cato Corporation (a US-based retailer of women's apparel) and a US-based specialty retailer of various products, including apparel products for young consumers), discount stores (including Target Corporation, a US-based large discount store operator) and department stores (including some of the largest US-based department store operators which rank amongst the top five retailers in the US (by revenue) and which have flagship stores in New York). We have maintained business relationships with our top five customers for six to 14 years. We had a customer base of 23, 19 and 15 customers in each of the three years ended 31 December 2013 respectively. We have developed a concentrated customer base as a result of our strategy to place a stronger focus on core customers from whom we expect to generate a substantial amount of gross profits on recurring basis and to allocate resources on a target group of customers so as to benefit from economies of scale. For details of such strategy, see "Business — Customers" (page 118).

Our sales to our top five customers accounted for approximately 88.7%, 84.9% and 84.8% of our total revenue for each of the three years ended 31 December 2013 respectively. Our sales to our largest customer accounted for approximately 28.8%, 33.8% and 29.3% of our total revenue for each of the three years ended 31 December 2013 respectively. For the associated risks, see "Risk Factors — Risks relating to our business — Sales to our top five customers represented approximately 88.7%, 84.9% and 84.8% of our total sales for the three years ended 31 December 2013 respectively and accounted for approximately 82.3%, 78.8% and 80.4% of our gross trade and bills receivables balances as at 31 December 2011, 2012 and 2013 respectively. If our customers were to terminate their respective relationships with us entirely, or if there were a change in their creditworthiness, our business would be adversely affected." (page 25).

Suppliers

Our suppliers consist of (i) third-party manufacturers which manufacture apparel products for our customers and (ii) suppliers of raw materials (such as fabric, buttons, threads and zippers). We have cooperated with our top five suppliers for over three years. During each of the three years ended 31 December 2013, we engaged 37, 32 and 27 third-party manufacturers respectively and about 185, 175 and 145 suppliers of raw materials respectively. We believe our relatively concentrated supplier base allows us to reap the benefits of economies of scale and to focus our resources on maintaining steady relationships with our suppliers. We also believe this does not pose significant risk to our business, given the abundance of suppliers in the market and our operational flexibility as an apparel supply chain manager which would allow us to source and cooperate with alternative suppliers in a timely manner should the need occur.

Our five largest suppliers, comprising third-party manufacturers, accounted for approximately 59.9%, 58.8% and 65.0% of our total cost of sales for each of the three years ended 31 December 2013 respectively. Our largest supplier, a third-party manufacturer, accounted for approximately 22.1%, 13.8% and 15.9% of our total cost of sales for each of the three years ended 31 December 2013 respectively. For the associated risks, see "Risk Factors — Risks relating to our business — We are dependent on third-party manufacturers for the production of apparel products, so disruption to our relationship with them or their manufacturing operations could adversely affect our apparel supply chain management services." (pages 25 to 26).

COMPETITIVE LANDSCAPE

The apparel supply chain management service provider industry in the Greater China region is highly fragmented, with more than 482 and 516 service providers in 2012 and 2013 respectively. The

top 10 apparel supply chain management service providers accounted for about HK$139.9 billion, representing approximately 49.3%, of the total market revenue of the apparel supply chain management service industry in 2012.

OUR COMPETITIVE STRENGTHS

Our Directors believe that we have the following competitive strengths:

- One-stop solution provider of apparel supply chain management services
- Effective monitoring and control of the provision of our apparel supply chain management services through the use of our ERP system
- Stringent quality assurance and control measures
- Experienced management team with extensive industry experience

OUR BUSINESS STRATEGIES

We aim to maintain our growth in the apparel supply chain management services market and enhance our overall competitiveness and market share. We intend to achieve our objectives by adopting the following key business strategies:

- Expand our product types to further cater to our customers' needs and attract new customers
- Further enhance our information technology systems and upgrade our ERP system
- Expand the geographical base of the third-party manufacturers
- Further develop our design and development capabilities

RISK FACTORS

There are certain risks involved in our operations and in connection with the **[REDACTED]**, many of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; (iv) risks relating to conducting business in countries other than the PRC; (v) risks relating to the **[REDACTED]**. These risk factors are further described in "Risk Factors" (pages 25 to 43).

Set forth below are some of the major risks that may materially and adversely affect us:

- Sales to our top five customers represented approximately 88.7%, 84.9% and 84.8% of our total sales for the three years ended 31 December 2013 respectively and accounted for approximately 82.3%, 78.8% and 80.4% of our gross trade and bills receivables balances as at 31 December 2011, 2012 and 2013 respectively. If our customers were to terminate their respective relationships with us entirely, or if there were a change in their creditworthiness, our business would be adversely affected.
- Sales to our largest market, the US, accounted for approximately 91.0%, 90.4% and 88.6% of our total sales for the three years ended 31 December 2013 respectively. If there were a drastic decrease in orders from our customers in the US, we cannot guarantee that we would be able to make up the loss of sales from other markets.
- We are dependent on third-party manufacturers for the production of apparel products, so disruption to our relationship with them or their manufacturing operations could adversely affect our apparel supply chain management services.

- Any failure to maintain an effective quality management system may have a material adverse effect on our reputation, operations and financial condition.

- Our business is subject to risks related to extreme changes in weather conditions.

- Strikes and other disruptive events may adversely affect our operations.

- We generate a majority of our revenue from Hanbo Enterprises Macao, and we currently enjoy tax exemptions in Macao. However we cannot guarantee that we will continue to do so in the future if there are changes in legislation in Macao. If there are disputes arising over the amount of our tax filings or changes to legislation, interpretation or practices by tax authorities in any jurisdiction in which we have business operations, our tax liabilities could increase and this may have an adverse effect on our cash flow and financial conditions.

SHAREHOLDER INFORMATION

Controlling Shareholders

Immediately following the completion of the **[REDACTED]** and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme), Happy Zone and Mr. Cheng will be beneficially interested in **[REDACTED]** and **[REDACTED]** of the issued share capital of our Company respectively. Happy Zone is solely and beneficially owned by Mr. Liu YY. Mr. Liu YY will, therefore, through Happy Zone, control the exercise of the voting rights of **[REDACTED]** of the issued share capital of our Company. Accordingly, Mr. Cheng, Happy Zone and Mr. Liu YY are our Controlling Shareholders for the purposes of the Listing Rules.

Apart from our Group, during the Track Record Period and as at the Latest Practicable Date, Mr. Liu YY and Mr. Cheng held interests in the Herotime Group which was principally engaged in apparel retail business which mainly focused on designing, procuring, marketing and retailing women's woven wear in the PRC. The Herotime Group had ceased all of its retail business operations in February 2014. As confirmed by Mr. Liu YY and Mr. Cheng, there are no current business plans for any future retail business to be undertaken by the Herotime Group. To ensure that competition will not exist in the future, our Controlling Shareholders have entered into the Deed of Non-competition with us to the effect that each of them will not, and will procure each of their respective associates not to, directly or indirectly, participate in, engage in, or conduct any business which may be in competition with our business. For further details of our Controlling Shareholders, see "Relationship with Controlling Shareholders" (pages 141 to 146).

SUMMARY OF FINANCIAL INFORMATION

The following is a summary of our combined results for the Track Record Period, which has been extracted from the Accountants' Report in Appendix I to this document.

Highlights of combined statements of profit or loss

	Year ended 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	666,739	463,568	554,589
Cost of sales	(581,668)	(390,366)	(469,981)
Profit before tax	20,556	31,120	26,985
Profit for the year	19,868	28,572	24,813

Highlights of combined statements of financial position

	As at 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Current assets	265,189	249,172	161,404
Non-current assets	4,579	5,130	6,968
Current liabilities	131,863	117,277	63,200
Non-current liabilities	975	1,033	430
Net current assets	133,326	131,895	98,204
Total assets less current liabilities	137,905	137,025	105,172

During the Track Record Period, our revenue was substantially generated from trading of apparel products and provision of apparel supply chain management services, and over 88% of our revenue was generated from the apparel products shipped to the US. For the three years ended 31 December 2013, our average cost of production which is calculated by dividing the cost of sales by the sales volume, were approximately HK$49.0, HK$49.5 and HK$52.6, respectively.

The major expenses incurred by our Group in relation to the closure of Yibao (Shanghai) and Contract Processing Factory were the severance payment to the then employees being laid off as a result of such closure. Our management estimated such expenses and made a provision for restructuring of approximately HK$5.3 million as at 31 December 2010. Such provision amounted to approximately HK$5.0 million as at 31 December 2011 and was fully utilised in 2012. For details of these closures, see "History, Reorganisation and Corporate Structure — Corporate development — Our subsidiaries in the PRC — Contract Processing Factory" (pages 91 to 92), "History, Reorganisation and Corporate Structure — Corporate development — Our subsidiaries in the PRC — Deregistration of Yibao (Shanghai)" (page 92) and "Financial Information — Net current assets — Provision" (page 200).

REVENUE BY GEOGRAPHICAL LOCATION OF SHIPMENT DESTINATION OF PRODUCTS

The following table sets out a breakdown of our revenue by geographical location of the shipment destination of the products during the Track Record Period:

	For the year ended 31 December					
	2011		2012		2013	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
US	606,583	91.0	418,900	90.4	491,639	88.6
Canada	20,780	3.1	15,082	3.3	19,896	3.6
Netherlands	18,178	2.7	9,066	2.0	11,485	2.1
Hong Kong	9,368	1.4	5,646	1.2	3,623	0.7
UK	2,164	0.3	8,180	1.8	13,858	2.5
Others *(Note)*	9,666	1.5	6,694	1.3	14,088	2.5
Total	666,739	100.0	463,568	100.0	554,589	100.0

Note: During the Track Record Period, we procured apparel products for our customers with the final shipment destinations of such apparel products including, but not limited to, Australia, Brazil, China, Cambodia, Indonesia, Japan, Korea, Mexico, Taiwan, Singapore, Thailand, Spain, France, Germany, Turkey and United Arab Emirates.

Our sales volume is determined by our customers' demand which is in turn affected by the macro consumer market and performance of our services. We were able to achieve growing average selling price during the Track Record Period. The table below sets forth our sales volume and average selling price of the apparel products for the Track Record Period:

	For the year ended 31 December		
	2011	2012	2013
Sales volume *(approximately '000 units)*	11,868	7,884	8,939
Average selling price *(approximately HK$) (Note)*	56.2	58.8	62.0

Note: The average selling price represents the revenue for the financial year divided by the total sales volume for the financial year.

FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATION

- Change in economic conditions in the US
- Reliance on our major customers during the Track Record Period
- Cost fluctuations
- Use of third-party manufacturers
- Lack of long-term agreements with our customers
- Payment arrangements
- Seasonality of apparel products
- Changes in government policies and regulations in Macao and in other jurisdictions
- Commercial activity tax applicable in Ohio

KEY FINANCIAL RATIOS

The table below sets out certain major financial ratios of our Group as at the dates indicated:

	As at 31 December		
	2011	2012	2013
Current ratio	2.0	2.1	2.6
Quick ratio	1.9	2.1	2.6
Gearing ratio	0	0	0

	For the year ended 31 December		
	2011	2012	2013
Net profit margin	3.0%	6.2%	4.5%
Return on total assets	7.4%	11.2%	14.7%
Return on equity	14.5%	21.0%	23.7%

The increase of our net profit margin from approximately 3.0% for the year ended 31 December 2011 to approximately 6.2% for the year ended 31 December 2012 was mainly attributable to the decrease in administrative expenses due to the closure of Contract Processing Factory and the

increase in net profit attributable to our Group in 2012. For the risks associated with our net profit margin, see "Risk Factors — Risks relating to our business — We may not be able to sustain our historical financial performance and may encounter difficulties in sustaining profitability." (pages 33 to 34). Our net profit margin has decreased from approximately 6.2% to approximately 4.5% from the year ended 31 December 2012 to the year ended 31 December 2013. Such decrease was mainly due to the **[REDACTED]** of approximately HK$**[REDACTED]** charged to our combined statement of profit or loss during the year ended 31 December 2013.

RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

We recorded lower revenue for the four months ended 30 April 2014 as compared to revenue of our Group for the four months ended 30 April 2013. The decrease was primarily due to change of business strategies of two major customers, of which (i) one has changed from selling of mid-end products to price competitive products which the unit prices were lower since the fourth quarter of 2013; and (ii) one has changed from selling basic products to fashion items which the quantity demanded were lower since the fourth quarter of 2013. The gross profit of our Group for the four months ended 30 April 2014 was lower than that for the four months in the year ended 30 April 2013, which was in line with the decrease in sales for the four months ended 30 April 2014. Nevertheless, the gross margin for the four months ended 30 April 2014 was higher than the gross margin for the year ended 31 December 2013, which was mainly because the products of a major customer sold for the four months ended 30 April 2014 are with more sophisticated designs. Our Directors believe that products with more sophisticated designs could usually yield higher margin because when more complicated process are involved, such products could be charged for higher premiums in order to capture higher margin. Notwithstanding the change of business strategies of the two major customers which may affect our revenue and gross profit in 2014, our Directors expect that the total revenue in 2014 will generally remain in a similar level as in 2013 as our Group is expected to secure orders from new and existing customers. Further, our gross profit margin is expected to remain stable as the products demanded by certain of our customers in 2014 are expected to be with more sophisticated designs which yield higher margin.

The strike of garment workers in Phnom Penh, Cambodia, where certain of our major subcontractors located, from late December 2013 had carried forward to early January 2014 and ended in mid January 2014. Although the incidents have caused some disruption to our production schedules, it did not cause significant delay of products delivery to our customers because, where necessary, we arranged for delivery by air transport in order to catch up on the prolonged lead time due to the strike. Our customers did not request for compensation because of the slight delay due to such strike. We consider the portion absorbed by us for the additional air freight costs incurred is immaterial to our Group's financial position or results and the strike did not materially affect our business operations.

Save as disclosed above and in "— **[REDACTED]**", our Directors confirm that as of the date of this document, there has been no material adverse change in our financial or trading position or prospects of our Group since 31 December 2013, being the date to which our latest audited financial information was prepared and there had been no event since 31 December 2013 which would materially and adversely affect the information shown in our combined financial information included in the Accountants' Report set forth in Appendix I to this document.

DIVIDEND POLICY

Hanbo Enterprises Macao declared dividend for the year ended 31 December 2012 in the sum of approximately HK$29.4 million to Hanbo Enterprises BVI on 20 July 2012 and dividends for the year ended 31 December 2013 of approximately HK$70.5 million, which were declared and offset with balance of the current account with our Controlling Shareholders as at 31 December 2013. Subsequent to the Track Record Period, in March 2014, we had declared dividend of approximately

HK$1.1 million to our Controlling Shareholders, which were fully set off against the same amount of receivables due to us from our Controlling Shareholders prior to the **[REDACTED]**. Save for the above, no dividends have been declared and paid by the companies now comprising our Group to their then respective shareholders during the Track Record Period and up to the Latest Practicable Date.

Our Directors may recommend a payment of dividends in the future after the **[REDACTED]**. The payment and the amount of any dividends, if any, will depend on the future operations and earnings, capital requirements and surplus, general financial condition, and other factors that our Directors consider relevant. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

[REDACTED]

USE OF PROCEEDS

We estimate that the net proceeds to our Company from the **[REDACTED]**, after deducting the **[REDACTED]** commissions and estimated expenses in relation to the **[REDACTED]** payable by our Company, will be approximately HK$**[REDACTED]** million (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of our indicative **[REDACTED]** range of HK$**[REDACTED]** and HK$**[REDACTED]**). We intend to use the net proceeds for the following purposes:

- approximately HK$**[REDACTED]**, or approximately **[REDACTED]**% of the net proceeds will be used for enhancement of our design and development capability, including HK$**[REDACTED]** for staff costs; HK$**[REDACTED]** for sample and business development, HK$**[REDACTED]** for the increased overhead expenses for our design staff and HK$**[REDACTED]** for design software and boutique subscriptions. For further details, see "Business — Our business strategies — Further develop our design and development capabilities";

- approximately HK$**[REDACTED]** or approximately **[REDACTED]**% of the net proceeds will be used for expansion of our network of third-party manufacturers, including HK$**[REDACTED]** for staff costs HK$**[REDACTED]** for allowances and travel costs. For further details, see "Business — Our business strategies — Expand the geographical base of the third-party manufacturers";

- approximately HK$**[REDACTED]**, or approximately **[REDACTED]**% of the net proceeds will be used for product type expansion, including HK$**[REDACTED]** for staff and administration costs; and HK$**[REDACTED]** for changes in our business including sample development and business trips. For further details, see "Business — Our business strategies — Expand our product types to further cater to our customers' needs and attract new customers";

- approximately HK$**[REDACTED]**, or approximately **[REDACTED]**% of the net proceeds will be used for enhancement of our IT system and upgrading of our ERP system, including HK$**[REDACTED]** for capital investments in hardware, HK$**[REDACTED]** for related services, HK$**[REDACTED]** for an annual system audit and HK$**[REDACTED]** in overhead expenses for our I.T staff. For further details, see "Business — Our business strategies — Further enhance our information technology systems and upgrade our ERP system"; and

- approximately HK$**[REDACTED]**, or approximately **[REDACTED]**% of the net proceeds will be used for working capital and other general corporate purposes.

To the extent the net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

In the event that the **[REDACTED]** is set at the high-end or low-end of the **[REDACTED]**, the net proceeds of the **[REDACTED]** will increase or decrease, respectively, by approximately HK$**[REDACTED]**. Under such circumstances, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis to the extent achievable. We will issue an announcement in Hong Kong in the event that there is any material change in the use of proceeds described above.

To the extent that the net proceeds of the **[REDACTED]** are not immediately used for the purposes described above they will be placed in short term demand deposits and/or money market instruments.

NON-COMPLIANCE INCIDENTS

Each of our Controlling Shareholders has given us an indemnity covering our liabilities, if any, arising from the non-compliance incidents set out in "Business — Non-compliance incidents". For details, see "Business — Non-compliance incidents" (pages 133 to 137).

LEGAL PROCEEDING

As at the Latest Practicable Date, we were involved in one on-going litigation against us in relation to a breach of contract claim by one of our former fabric suppliers. While we are unable to quantify the total amount of our liabilities at this stage if we are found liable as the trial of the case is yet to be held as at the Latest Practicable Date, each of our Controlling Shareholders has given us an indemnity covering our liabilities, if any, as a result of such litigation. For details, see "Business — Legal proceedings" (pages 131 to 132).

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

"Action Win"	Action Win Industries Limited (望榮實業有限公司), a company incorporated in Hong Kong with limited liability on 22 May 1987 and a connected person of our Company
	[REDACTED]
"Articles" or "Articles of Association"	the articles of association of our Company effective on the **[REDACTED]**, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Bangladesh"	the People's Republic of Bangladesh
"Board" or "Board of Directors"	the board of Directors
"BOI"	the Board of Investment of Bangladesh
"BOI Approval"	the approval for opening a liaison office in Bangladesh granted by the BOI to Hanbo Enterprises Macao dated 4 May 2011
"business day"	any day (other than a Saturday, a Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Cambodia"	the Kingdom of Cambodia
"Cambodian Government"	the Royal Government of Cambodia
"Cambodian Parliament"	the National Assembly and the Senate of Cambodia
"Capitalisation Issue"	the capitalisation of an amount of up to HK$3,599,999 from the amount standing to the credit of the share premium account of our Company. See "A. Further information about our Company — 3. Written resolutions of all Shareholders passed on 20 June 2014" in Appendix IV to this document
	[REDACTED]

[REDACTED]

"China" or "PRC"	the People's Republic of China excluding, for the purpose of this document, Hong Kong, Macao and Taiwan
"Circular No. 75"	the Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Round-trip Investment via Overseas Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) issued on 21 October 2005 by SAFE
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which took effect from 3 March 2014, as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Hanbo Enterprises Holdings Limited (恒寶企業控股有限公司), a company incorporated in the Cayman Islands on 30 September 2013 as an exempted company with limited liability
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Contract Processing Factory"	深圳市鹽田區工業發展恒寶服裝來料加工廠 (Shenzhen Yantian District Industrial Development Hanbo Clothing Contract Processing Factory*), a contract processing factory established on 31 July 2006 by Hanbo Enterprises HK and 深圳市鹽田區工業發展有限公司 (Shenzhen Yantian District Industrial Development Co., Ltd.*) (an Independent Third Party)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and in the context of our Company, refers to Mr. Cheng, Mr. Liu YY and Happy Zone

"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the securities markets in the PRC
"C-TPAT"	Customs-Trade Partnership Against Terrorism, a voluntary programme where participants work to protect international supply chains and the US border from terrorism
"Deed of Indemnity"	a deed of indemnity dated 20 June 2014 entered into by Mr. Cheng, Happy Zone and Mr. Liu YY in favour of our Company (for itself and as trustee for its subsidiaries), see "F. Other information — 1. Deed of Indemnity" in Appendix IV to this document
"Deed of Non-competition"	a deed of non-competition dated 20 June 2014 entered into by Mr. Cheng, Happy Zone, Mr. Liu YY, Mr. Yu, Mr. Liu CT and Mr. Kao in favour of our Company (for itself and as trustee for its subsidiaries), particulars of which are set out in "Relationship with Controlling Shareholders — Deed of Non-competition"
"Director(s)"	the director(s) of our Company
"EIT"	enterprise income tax of the PRC
"ERP"	Enterprise Resource Planning, a system that integrates internal management information across an entire organisation, embracing finance, sales and services through the use of an integrated software application
"GDP"	gross domestic product (all references to GDP growth are to real as opposed to nominal rates of growth)
	[REDACTED]
"Goodeed"	Goodeed Limited (佳寶集團有限公司), a company incorporated in Hong Kong with limited liability on 27 January 1994, which is an indirect wholly-owned subsidiary of our Company
"Greater China"	the region comprising the PRC, Hong Kong, Macao and Taiwan
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require) or, where the context so requires in respect of a period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company or the businesses operated by such subsidiaries or (as the case may be) their predecessors
"Hanbo Enterprises Bangladesh"	Hanbo Enterprises Limited — Bangladesh Liaison Office, a liaison office of Hanbo Enterprises Macao, registered in Bangladesh with the BOI as a liaison office on 4 May 2011 for liaising with apparel manufacturers or exporters located in Bangladesh, coordinating and monitoring production of apparel products and performing inspections of apparel products before shipment in Bangladesh and operating its office in Chittagong, Bangladesh under a trade licence issued by the Chittagong City Corporation dated 4 July 2011

"Hanbo Enterprises BVI"	Hanbo Enterprises (Holding) Limited, a company incorporated in the BVI with limited liability on 29 April 2004, which is a direct wholly-owned subsidiary of our Company
"Hanbo Enterprises HK"	Hanbo Enterprises Limited (恒寶企業有限公司), a company incorporated in Hong Kong with limited liability on 20 August 1991, which is a direct wholly-owned subsidiary of our Company
"Hanbo Enterprises Macao"	Hanbo Enterprises Limited — Macao Commercial Offshore, a company incorporated in Macao with limited liability on 3 January 2005, which is an indirect wholly-owned subsidiary of our Company
"Hanbo GSC"	Hanbo GSC (Cambodia) Ltd (formerly known as Hanbo MCO (Cambodia) Ltd.), a company incorporated in Cambodia with limited liability on 29 June 2012, which is an indirect wholly-owned subsidiary of our Company
"Happy Zone"	Happy Zone Limited, a company incorporated in the BVI with limited liability on 17 October 1989, which is our Controlling Shareholder and solely and beneficially owned by Mr. Liu YY
"Herotime BVI"	Herotime Holdings Limited, a company incorporated in the BVI with limited liability on 12 August 2002, which is a connected person of our Company and beneficially owned by Mr. Liu YY as to 51.0% and Mr. Cheng as to 49.0%
"Herotime HK"	Herotime Holdings (HK) Limited (喜樂時控股（香港）有限公司), a company incorporated in Hong Kong with limited liability on 14 October 2009, which is a direct wholly-owned subsidiary of Herotime BVI and a connected person of our Company
"Herotime Shenzhen"	喜樂時服裝（深圳）有限公司 (Herotime Clothing (Shenzhen) Co., Ltd.*), a company established in the PRC with limited liability on 6 January 2005, which is a direct wholly-owned subsidiary of Herotime HK and a connected person of our Company
"HKAS(s)"	Hong Kong Accounting Standards
"HKFRSs"	Hong Kong Financial Reporting Standards (which include HKASs) issued by HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
	[REDACTED]
"Hong Kong", "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the PRC
	[REDACTED]

[REDACTED]

"Independent Third Party(ies)"	a person(s) or a company(ies) who or which is/are not connected (within the meaning under the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning under the Listing Rules) of our Company or any of our subsidiaries or any of their respective associates
"Industry Expert" or "Ipsos"	Ipsos Hong Kong Limited, an industry research consultant and an Independent Third Party
"Industry Expert Report"	the industry report provided by the Industry Expert dated 20 June 2014

[REDACTED]

"Issuing Mandate"	the general unconditional mandate given to our Directors by the Shareholders relating to the issue of new Shares, see "A. Further information about our Company — 3. Written resolutions of all Shareholders passed on 20 June 2014" in Appendix IV to this document
"Latest Practicable Date"	20 June 2014, being the latest practicable date for ascertaining certain information in this document before the printing of this document
	[REDACTED]
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Liu & Cheng"	Liu & Cheng (Cambodia) Ltd., a company incorporated in Cambodia with limited liability on 8 October 2013, which is a connected person of our Company and beneficially owned by Mr. Liu YY as to 51.0% and Mr. Cheng as to 49.0%
"Macao"	the Macao Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company conditionally adopted pursuant to resolutions passed by our Shareholders in writing on 20 June 2014 and to become effective on the **[REDACTED]**, as amended from time to time
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Cheng"	Mr. CHENG Lap Yin (鄭立言), the chairman of our Company, an executive Director and a Controlling Shareholder
"Mr. Kao"	Mr. KAO Lap Shing (高立誠), an executive Director and the financial controller of our Company
"Mr. Liu CT"	Mr. LIU Chung Tong (廖頌棠), the deputy chairman of our Company, an executive Director and Mr. Liu YY's son

"Mr. Liu YY"	Mr. LIU Ying Yin, James (廖英賢), the managing director of our Company, an executive Director, a Controlling Shareholder and Mr. Liu CT's father
"Mr. Yu"	Mr. YU Yuen Mau, Banny (余遠茂), an executive Director
	[REDACTED]
"Ohio"	the State of Ohio, the US
"PRC EIT Law"	the Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得税法), promulgated on 16 March 2007 by the National People's Congress and became effective on 1 January 2008, as amended supplemented or otherwise modified from time to time
"PRC Government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"PRC Legal Advisers"	Guantao Law Firm, the legal advisers of our Company as to PRC law
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
	[REDACTED]
"Province" or "province"	each being a province or, where the context requires, a provincial level autonomous region or a provincial-level city under the direct supervision of the PRC Government
	[REDACTED]
"Reorganisation"	the reorganisation of our Group as set out in "History, Reorganisation and Corporate Structure"

"Repurchase Mandate"	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, see "A. Further Information about our Company — 3. Written resolutions of all Shareholders passed on 20 June 2014" in Appendix IV to this document
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by us on 20 June 2014, see "E. Share Option Scheme" in Appendix IV to this document
	[REDACTED]
"Sponsor" or "Quam Capital"	Quam Capital Limited, a licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the sponsor to the **[REDACTED]**
"Sri Lanka"	The Democratic Socialist Republic of Sri Lanka
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"subsidiary" or "subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholders"	has the meaning ascribed thereto under the Listing Rules
"Superbo Trading"	Superbo Trading Co. Limited (兆寶貿易有限公司) (formerly known as Kitebuhel Limited), a company incorporated in Hong Kong with limited liability on 25 November 1993, which is an indirect wholly-owned subsidiary of our Company
"Track Record Period"	the three financial years ended 31 December 2013
"UK"	The United Kingdom of Great Britain and Northern Ireland

[REDACTED]

"United States" or "US"	the United States of America
"US Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time

[REDACTED]

"Yibao Clothing"	億寶服裝（深圳）有限公司 (Yibao Clothing (Shenzhen) Co., Ltd.*), a company established in the PRC with limited liability on 15 June 2012, which is an indirect wholly-owned subsidiary of our Company
"Yibao (Shanghai)"	億寶服裝（上海）有限公司 (Yibao Clothing (Shanghai) Co., Ltd*), a company established in the PRC with limited liability on 21 November 2007 (formerly wholly-owned by Hanbo Enterprises HK) and no longer our subsidiary after being deregistered on 21 February 2012
"BDT"	Bangladeshi Taka, the lawful currency of Bangladesh
"HK$", "HKD" or "Hong Kong dollars" or "cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"KHR"	Cambodian Riel, the lawful currency of Cambodia
"MOP"	Macao patacas, the lawful currency of Macao
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"sq.m." or "m^2"	square metres
"US$" or "USD" or "US dollars"	United States dollars, the lawful currency of the US
"%"	per cent.

Unless otherwise specified, for the purpose of this document and for the purpose of illustration only, Hong Kong dollar amounts have been translated using the following rates:

US$1: HK$7.752
RMB1: HK$1.246
US$1: BDT77.447
US$1: KHR4,040.894
MOP1: HK$0.971

No representation is made that any amounts in US$, RMB, MOP, KHR, BDT or HK$ were or could have been converted at the above rate or at any other rates or at all.

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

All times refer to Hong Kong local times.

** For ease of reference and for identification purposes only, the names of the PRC established companies or entities, laws or regulations marked with an asterisk (*) have been included in this document in both the Chinese and English languages and in the event of any inconsistency between the Chinese names of the PRC entities mentioned in this document and their English translations, the Chinese names shall prevail.*

GLOSSARY OF TECHNICAL TERMS

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

"AQL"	the Acceptable Quality Level standard, a quality inspection standard which is used internationally in the apparel industry to examine the quality of finished products (it refers to the maximum number of defects that could be considered acceptable during the random sampling of an inspection)
"CAD"	an acronym for computer-aided design, where computer systems are used in the creation, modification, analysis or optimisation of a design
''cut-and-sewn knitwear''	apparel produced by cutting knitted fabric into panels and sewing them together to form an apparel. Examples include t-shirts, polo shirts and fleece
"Four-Point System"	a visual examination of fabric, whereby defects in fabric are assigned points according to the size and significance of the defect. If the total defect points for a fabric exceeds a certain number it will be rejected
''knitted fabric''	fabric produced by the interlooping of yarns, which loops are formed then new loops are drawn through those previously formed. The continuing addition of new loops creates the knitted fabric. Different ways of interlooping create different constructions, such as jersey, pique, interlock and ribs. Knitted fabric is categorised according to specifications such as fabric weight, density, yarn count, construction and composition
"ODM"	an acronym for original design manufacturing, where a manufacturer designs and manufactures a product which is specified by the customer and marketed and sold under the brand name of the customer
"OEM"	an acronym for original equipment manufacturing, where a product is manufactured in accordance with the customer's design and specifications and is marketed and sold under the brand name of the customer
"SA 8000"	an international standardised code of conduct for improving working conditions around the world
"technical specifications package"	an information package for an apparel product for developing and creating product samples of such apparel product and executing the production of such apparel product and it typically includes visual and written information about such apparel product (including a sketch or photo of the apparel product and details of the apparel product (such as the print details or artworks to be used on, washing details of, and colour of, the apparel product))
''woven wear''	apparel produced by woven fabric. Examples include jeans, chino pants and poplin shirts

This document contains forward-looking statements in respect of our plans, intentions, beliefs, expectations or predictions for the future, which are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and operating strategies and our various measures to implement such strategies;
- our ability to meet the changing needs of our customers;
- our dividend distribution plans;
- our financial condition;
- macroeconomic policies of the PRC Government and governments of countries in which we have operations;
- changes in the laws, rules and regulations of the central and local governments in the countries in which we operate and the rules, regulations and policies of the relevant government authorities relating to all aspects of our business, including changes in tax policy and environmental regulations;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- changes in competitive conditions and our ability to compete under these conditions;
- our ability to recruit and retain employees and personnel;
- the general economic trends, market and business conditions in the countries in which we have operations; and
- other factors beyond our control.

When used in this document, the words "aim", "anticipate", "believe", "consider", "continue", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "might", "ought to", "plan", "predict", "project", "propose", "potential", "seek", "should", "will", "would", "with a view to" and the negatives of these terms and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth under "Risk Factors". Our Directors confirm that these forward-looking statements are made after due and careful consideration.

Although our Directors believe that our current views as reflected in these forward-looking statements based on currently available information are fair and reasonable, we can give no assurance that these views will prove to be correct. You are cautioned that reliance on any forward-looking statements in this document involves risks and uncertainties. The uncertainties in this regard include, but are not limited to, those identified in "Risk Factors", many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by us or our Directors that our plans or objectives will be achieved.

Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected.

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

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

Investors should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in the **[REDACTED]** *in the* **[REDACTED]**. *If any of the possible events described below occur, our business operations, financial condition or results of operation could be materially and adversely affected and the market price of the* **[REDACTED]** *could fall significantly.*

RISKS RELATING TO OUR BUSINESS

Sales to our top five customers represented approximately 88.7%, 84.9% and 84.8% of our total sales for the three years ended 31 December 2013 respectively and accounted for approximately 82.3%, 78.8% and 80.4% of our gross trade and bills receivables balances as at 31 December 2011, 2012 and 2013 respectively. If our customers were to terminate their respective relationships with us entirely, or if there were a change in their creditworthiness, our business would be adversely affected.

Aggregate sales to our top five customers represented approximately 88.7%, 84.9% and 84.8% of our total sales for the three years ended 31 December 2013 respectively and accounted for approximately 82.3%, 78.8% and 80.4% of our gross trade and bills receivables balances as at 31 December 2011, 2012 and 2013 respectively.

Our top five customers are not obligated to continue placing orders with us at all or at the same level which they historically have done and we can offer no assurances that they will do so. If there is any unexpected cessation of, or substantial reduction in the volume of, orders with any of our top five customers, we can offer no assurances that we would be able to obtain replacement of orders to cover any such drop in sales in a timely manner or that, if we were able to obtain other orders, they would be on commercially reasonable terms. In addition, if any of our customers fail to settle the sales proceeds in accordance with the agreed credit terms, our working capital position may be adversely affected. Bad debt provisions or write-offs may also be required for receivables, which will have an adverse effect on our profitability. If any of our relationships with our customers were to be so altered and we were unable to obtain replacement orders, or if there were to be a change in our customers' creditworthiness, our results of operations would be adversely affected.

Sales to our largest market, the US, accounted for approximately 91.0%, 90.4% and 88.6% of our total sales for the three years ended 31 December 2013 respectively. **If there were a drastic decrease in orders from our customers in the US, we cannot guarantee that we would be able to make up the loss of sales from other markets.**

During the Track Record Period, the US was our largest market based on the geographical destination of shipment of apparel products procured for our customers during such period. Aggregate sales to the US represented approximately 91.0%, 90.4% and 88.6% of our total sales for the three years ended 31 December 2013 respectively. Economic and political factors impacting this market in particular may adversely affect the spending habits of its consumers and, therefore, the purchasing decisions of our US customers. If there were a drastic decrease in the orders from our customers in the US market, we cannot guarantee that we could increase orders from other markets to make up for the loss of sales. This would adversely affect our business operations and financial results.

For specific risks relating to our business operations involving US customers, see "— Risks relating to conducting business in countries other than the PRC — Risks relating to our business operations involving US customers".

We are dependent on third-party manufacturers for the production of apparel products, so disruption to our relationship with them or their manufacturing operations could adversely affect our apparel supply chain management services.

Almost all of the apparel products we sourced for our customers during the Track Record Period were sourced from third-party manufacturers. During each of the three years ended 31 December

2013, the number of apparel products produced by third-party manufacturers accounted for 95.0%, 97.8% and 100.0% respectively of the total apparel products procured through our services during the same respective periods. Hence the reliability and efficiency of third-party manufacturers play an important part in our apparel supply chain management services. However, we do not enter into long-term contracts with any of our third-party manufacturers. There is no assurance that all of our third-party manufacturers will continue to be able or willing to supply apparel products to us at our desired quality, in a timely manner and on commercially acceptable terms. If any of our major third-party manufacturers should terminate their business relationship with us or if there were changes to the current arrangements, we may not be able to source suitable products from comparable alternative third-party manufacturers in a timely manner or on commercially reasonable terms. This could result in delay in the production schedule and affect adversely our ability to fulfil customers' orders and in turn adversely affect our sales and gross profit margin rates. Without any long-term contract, the terms of services provided by our third-party manufacturers may also be susceptible to fluctuations with regard to pricing, timing and quality. For example, if our third-party manufacturers increase their subcontracting fees due to factors such as increase in their operating costs resulting from increase in prices of raw materials or increase in labour wages, we may incur significant cost which we may not be able to pass along to our customers or we may need to adjust our operations which may strain our financial and management resources.

Further, the stability of operations and performance of our third-party manufacturers will also affect us. If there is any disruption to the third-party manufacturers' operations from natural or other causes, such as weather, natural disaster, fire or other technical and mechanical difficulties, then their production schedule could be delayed. Any damage to the third-party manufacturers' production facilities could be costly and time consuming to repair and could delay the production of apparel products and cause knock-on delays in our delivery schedules and impair our ability to adequately fulfil our customers' orders, which could adversely affect our apparel supply chain management services. If any of the products they manufacture cannot satisfy our customers' required standards or have to be returned for any reason, we may not be able to meet our commitments to our customers, which may have an adverse impact on our business reputation. We may also incur significant additional costs which we may not be able to pass along to our customers, which in turn could have a material adverse effect on our business, financial condition and results of operations. If we discover that an existing third-party manufacturer has any material non-compliance issues, for instance, violations of trade laws and health and safety regulations, we will need to divert management and financial resources and incur additional costs in liaising and following up with such third-party manufacturer on rectifying the non-compliance and consider whether to cease business relationship with such third-party manufacturer. In the event of termination of or changes to the current arrangements with the third-party manufacturers for any reason, our Group may not be able to locate comparable alternative manufacturers that could provide manufacturing services in a timely manner and/or on commercially acceptable terms. This could result in delay in the production schedule and in turn adversely affect our Group's business operations and financial results.

Any failure to maintain an effective quality management system may have a material adverse effect on our reputation, operations and financial condition.

As an apparel supply chain service provider, we rely on our internal quality control system to ensure the levels of quality in different areas of our services. If there is any significant failure or deterioration of our quality management system or if we fail to meet or conform to the required specifications of our customers, such failure and any subsequent negative publicity, could result in the loss of sales, which could have a material adverse effect on its business reputation, results of operations and financial condition.

Our business is subject to risks related to extreme changes in weather conditions.

Changes in weather conditions will impact consumers' purchasing power and needs. Certain extreme and unpredictable weather patterns may affect consumer spending and preferences and the

choice of products they seek in response to weather changes and other disruptive events. We, as an apparel supply chain service provider, and our customers are accustomed to traditional seasonal cycles and the apparel products we procure for our customers may not adapt to distinct changes between seasons or in weather conditions. For example, if the apparel products are not suitable to accommodate inclement or unfavourable weather conditions, the sales volume of our customers may drop. Also, weather events may affect consumer purchasing priorities and household spending patterns. For example, consumers may spend more on products that help them adapt to weather conditions, or on energy, which may reduce their spending on apparel products and in turn negatively impact our sales. If we fail to adapt to new seasonality trends or consumer spending behaviour, our revenue and business conditions may be adversely affected.

Strikes and other disruptive events may adversely affect our operations.

We have operations in Cambodia where strikes have occurred recently. Strikes and other disruptive events beyond our control, such as changes in political environment, whether in Cambodia or other countries where we have operations, may disrupt and delay transportation of materials and finished products. We may have to increase extra costs, such as transportation costs, to ensure that our production and delivery schedules are met. If we fail to meet the delivery timelines under our customers' orders, we may need to compensate our customers and our customers may lose confidence in us. Significant increase in our costs could result in diversion of resources and could substantially harm our operating results.

We generate a majority of our revenue from Hanbo Enterprises Macao, and we currently enjoy tax exemptions in Macao. However we cannot guarantee that we will continue to do so in the future if there are changes in legislation in Macao. If there are disputes arising over the amount of our tax filings or changes to legislation, interpretation or practices by tax authorities in any jurisdiction in which we have business operations, our tax liabilities could increase and this may have an adverse effect on our cash flow and financial conditions.

We enjoyed tax exemptions in Macao during the Track Record Period. A majority of our revenue was generated from Hanbo Enterprises Macao during the Track Record Period and such revenue was exempted from Macao complementary tax under the current Macao Offshore Law. For details, see "Regulations — Regulatory requirements in Macao — Tax exemption". However, we cannot assure that we will continue to enjoy such tax exemptions in the future if there are changes to Macao law, regulations and policies, and we may be subject to tax. Similarly, we cannot assure that the tax laws, regulations, policies, practices or interpretation of other jurisdictions applicable to us will not change. Such changes may cause us to pay a higher rate of tax or face restrictions in our business operations in those jurisdictions. In any of these jurisdictions, the local authority or other parties may dispute the amount of our tax filings. We may find that any changes or disputes are implemented or raised against us quickly and with little warning. If we cannot mitigate the increase in our tax liabilities, then there could be an adverse effect on our cash flow and financial conditions.

Tax authorities could challenge our allocation of taxable income which could increase our overall tax liability.

During the Track Record Period, each of Hanbo Enterprises HK and Yibao Clothing provided supply chain support services to Hanbo Enterprises Macao. The relevant service fee income received by Hanbo Enterprises HK has been reported for Hong Kong profits tax, and the service fee received by Yibao Clothing has been reported for relevant PRC taxes authorities (including income tax and turnover taxes). Our Directors, having made reasonable enquiries, consider that the cost-plus methodology to determine the service fee received by Hanbo Enterprises HK is supported by appropriate transfer pricing analysis, and confirm that Yibao Clothing is remunerated on a cost-plus basis for the services provided. However, our determination of tax liability is always subject to review or examination by authorities in various jurisdictions. There can be no assurance that tax authorities

reviewing such arrangements would not challenge the appropriateness of our transfer pricing arrangement, or that any relevant laws governing such arrangements will not be modified. In the event that an authority of any relevant jurisdiction finds that transfer prices and terms we have applied are not appropriate, such authority could require our relevant subsidiaries to re-determine transfer prices and thereby reallocate the income or adjust the taxable income. Any such reallocation or adjustment could result in a higher overall tax liability for us and adversely affect our business, financial condition and results of operations.

We are exposed to currency exchange rate fluctuations because we receive a majority of our revenue in US dollars, but incur many of our expenses in other currencies. Future exchange rate fluctuations between the US dollar and certain other currencies may adversely affect our business.

As most of our sales are made into the US, most of our revenue is denominated in US dollars. However, we pay some of the third-party manufacturers and some of our staff based on the relevant local currency. We incur and settle such costs in Hong Kong dollars, MOP, RMB, KHR or BDT. We have not entered into any agreements to hedge our exchange rate exposure relating to any of these currencies and there is no assurance that we will be able to enter into such agreements on commercially viable terms in the future. We are therefore vulnerable to US dollar depreciation and MOP, RMB, KHR or BDT appreciation. Accordingly, we can offer no assurances that future exchange rate fluctuations between the US dollar and certain other currencies will not adversely affect our business.

We generally do not have long-term agreements with our customers and therefore, they have no commitment to place future orders with us which exposes us to the risk of uncertainty and potential volatility with respect to our revenue.

We generally do not enter into long-term agreements with any of our customers. Purchases are typically made on an order-by-order basis with no commitment for the customer to place further orders with us. Consequently, most of our customers, including our top five customers, may cancel, reduce or defer future orders at will.

The volume of our customers' orders and our product offerings may vary significantly from period to period and it is difficult for us to forecast future order quantities. We offer no assurances that any of our customers will continue to place orders with us in the future at the same level as in the current or prior periods, or even at all. Furthermore, the actual volume of our customers' orders may be inconsistent with our expectations at the time that we plan our expenditures. As a result, our business operations, financial condition and results of operations may vary from period to period and may fluctuate significantly in the future. If any or a number of our customers were to cease placing orders with us, without sufficient time for us to obtain alternative orders, our results of operations would be adversely affected.

Our Directors believe that our customers may elect to source products and services through online platforms such as business-to-business ("**B2B**") commerce platforms or engage vertically-integrated manufacturers with design and other capabilities. If our customers bypass us and seek services and products through B2B commerce platforms or from vertically-integrated manufacturers with design and other capabilities directly, we may experience a decrease in our sales, which may affect adversely our profitability and financial results.

Our increase in revenue for the year ended 31 December 2013 was mainly attributable to the increase in revenue from our top customer in 2013 with whom we do not have a long-term agreement. Any decrease or termination in our sales to such customer may have a material adverse effect on our business, results of operations and financial performance.

We experienced an increase in revenue for the year ended 31 December 2013 of approximately 19.6% comparing to the year ended 31 December 2012 and such increase was mainly attributable to

the increase in revenue from our top customer in 2013 who had increased its orders by approximately HK$91.9 million as a result of its new business direction. We have no control over our customer's business development plans and we cannot assure that such customer will continue to adopt a business strategy which would result in increase its orders placed with us. We have not entered into a long-term agreement with contractual commitment on the part of such customer to place future orders with this customer. There is no guarantee that our relationship with this customer will not deteriorate. We cannot assure you that this customer will continue to place orders with us at current levels on similar terms, or at all. If this customer significantly reduces its orders placed with us or ceases its business relationship with us, and we fail to compensate for the decrease by increasing sales to other customers or bring in new customers to generate comparable sales volumes, then our business, results of operations and financial performance could be adversely affected.

A material disruption of our information technology systems could adversely affect our supply chain management services.

Our ability to fulfil orders from our customers is dependent on the efficient, proper and uninterrupted operations at our facilities. We rely on our information technology systems, particularly our ERP, to effectively manage our apparel supply chain management service operations, including customers and suppliers information, order entry and fulfillment and other administrative processes. Our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disaster, systems failures, security breaches or viruses. Any such damage or interruption could have an adverse effect on our business and prevent us from paying our suppliers, the third-party manufacturers or employees, or receiving payments from our customers, or performing other services required by our business on a timely basis. The failure of our information technology systems to perform to our expectations could disrupt our business and may also require us to make unplanned capital expenditures. This would adversely affect our business, financial condition and the efficiency of our apparel supply chain management services.

Some of our customers are sensitive to social responsibility and social compliance standards. If we or the third-party manufacturers have or are perceived to have failed to comply with these standards, our reputation could be adversely affected and customers may choose not to continue their businesses with us.

Our customers are facing increasing pressure to ensure that labour practices and factory conditions in relation to their products meet certain social responsibility standards. Accordingly, a number of our customers require their suppliers to fulfil their own corporate social responsibility standards or those set out under independent programmes such as SA 8000 standard. There can be no assurance that we will discover violations of social responsibility and social compliance standards by the third-party manufacturers in a timely manner. If any of the third-party manufacturers fail to remedy a violation, we may cease to allocate orders to them and may be required to re-direct unfulfilled orders to other third-party manufacturers, which could delay our supply chain services and increase our costs and consequently, reduce profitability. We could also experience significant damage to our reputation and affected customers may discontinue our services which could adversely affect our business.

Fluctuations in the price, availability and quality of raw materials could result in increased costs for us.

As sourcing raw materials for our customers is part of our apparel supply chain services, our business is dependent on our ability to source sufficient supply of raw materials that meet our quality requirements at satisfactory prices and in a timely manner. For our costs incurred in relation to raw materials during the Track Record Period, see "Financial Information – Principal statement of profit or loss components — Cost of sales". The availability of raw materials may be affected by many factors beyond our control, including natural disasters such as droughts, floods and earthquakes, seasonal

fluctuations, climate conditions, economic conditions, customer demand and governmental regulations. A material shortage in the supply of raw materials will affect production and delivery schedules and customer's perception of our sourcing ability. Raw material suppliers may take into account many factors, among others, demand and supply when fixing the prices of their raw materials. Increases in raw material prices will increase our needs for working capital and financing, cause a drop in sales and affect our gross profit margin.

The apparel industry saw a sudden increase in the price of cotton in 2010 and 2011. The unexpected increase in cotton price in 2011 affected our gross profit margin of 2011. For details, see "Financial Information — Period to period comparison of results of operations — Year ended 31 December 2012 compared to year ended 31 December 2011 — Gross profit and gross profit margin". Although cotton prices have stabilised for now, there is no assurance that the price, availability and quality of particular raw materials will not fluctuate in the future. If there are fluctuations and we are unable to source other appropriate substitutes or if we have to absorb the entire cost increment to our customers, our business may be adversely affected.

Our business performance depends on our ability to retain the services of our senior management and key personnel and any failure in retaining any one of them may adversely affect our financial condition and results of operations.

Our business performance depends, to a significant extent, on the continued services and the performance of the senior members of our management team, who have substantial management and operational experience in the apparel industry. Our Directors believe that these persons possess the relevant knowledge, experience and skills, especially in their familiarity with our business and substantial expertise in apparel supply chain management services. They are therefore essential to us in carrying out our business and future plans. We can offer no assurances that the services of our senior management team can be retained. We have not subscribed for key-man life or similar insurance covering our senior management. If we lose the service of any such personnel, and we fail to recruit replacements with the required knowledge, experience and qualifications to replace them, then our business may be disrupted and our financial condition and results of operations may be adversely affected.

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

There is no certainty that we will be able to successfully claim any of our losses under our current insurance policy on a timely basis. We do not maintain business interruption or key-man life insurance. The occurrence of any of these events may result in our incurring substantial costs and the diversion of our resources. Our insurance coverage may not be sufficient to prevent us from such loss. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business and financial condition could be materially and adversely affected.

We usually pay the full amount of all costs due to suppliers and third-party manufacturers and arrange for delivery to our customers before we receive payment from our customers. If any significant amount of payments cannot be collected from our customers in the future, our financial conditions and results of operations could be adversely affected.

We usually pay the full amount of the subcontracting fees due to the third-party manufacturers and (where we purchase, and are responsible for paying for, the raw materials) the raw material costs due to the suppliers, before we receive payment for the relevant apparel products from our customers. We also generally arrange for the delivery of apparel products to our customers first, before we receive any payment from our customers and without any deposit as security.

We can offer no assurances that all our customers will continuously maintain a good practice of making timely payments to us according to the relevant contractual arrangements. If any significant amount of payments cannot be collected from our customers in the future, for example, due to

cancellation of purchase orders subsequently, our financial conditions and results of operations could be adversely affected. If we adopt a different practice with our customers, such as requiring them to pay before delivery, our relationship with them may deteriorate and they may cease to place orders with us, which may adversely affect our business and financial performance.

We could be subject and required to pay the commercial activity tax applicable in Ohio and as a result, our financial condition and operating results may be adversely affected.

Based on the following factors, we consider that we are not subject to the commercial activity tax in Ohio and thus have decided not to participate in a voluntary disclosure program established in Ohio enabling entities to disclose their possible liability for the commercial activity tax: (i) as advised by our US legal advisers, applicable law does not expressly provide whether an Ohio gross receipts tax called the commercial activity tax is applicable to non-US entities (such as our Group) based solely on the fact that they ship goods to Ohio; (ii) as advised by our US legal advisers that, in case we are challenged by US courts, we can argue that such law is not applicable to us as ownership to the apparel products that we procure for our US customers passes from us to our US customers at the shipping point which is outside of the US and so, during shipment and delivery in Ohio, we do not own the apparel products; and (iii) we have never been contacted by any tax authority in Ohio regarding any possible liability for the commercial activity tax, and we have never been subject to any audit or assessment of commercial activity tax.

Should an entity be subject to the commercial activity tax in Ohio, such entity may opt to participate in the voluntary disclosure program established in Ohio. Entities participating in the voluntary disclosure program will pay the commercial activity tax for the current year and the past three years subject to actual liability plus interest but no penalties will be imposed. If we are found liable for the commercial activity tax without having participated in the voluntary disclosure program, the maximum amount of our tax liabilities would be the payment of the commercial activity tax for all the years in which we shipped goods to Ohio. As advised by our US legal advisers, it is estimated that, assuming our participation in the voluntary disclosure program, the maximum amount of our tax liabilities (including applicable interest) would be in the range of US$89,500 to US$98,500. As further advised by our US legal advisers, it is estimated that, assuming we are found liable for the commercial activity tax and we have not participated in the voluntary disclosure program, the maximum amount of our tax liabilities (including applicable late filing charges and interest) would be in the range of US$103,000 to US$113,500 for the Track Record Period and in the range of US$180,000 to US$192,000 for all the years in which we shipped goods to Ohio.

If we are subject to the commercial activity tax and are required to pay the commercial activity tax and as a result, our financial condition and operating results may be adversely affected.

Our Directors believe that the apparel products we procured for our customers are distributed and sold by our customers throughout the US within the confines of our customers' sales channels and that so far as our Company is aware, we are potentially subject to tax on our commercial activities only in Ohio.

We experienced incidents of non-compliance with the Predecessor Companies Ordinance.

We have on various occasions not fully complied with statutory requirements in the Predecessor Companies Ordinance with respect to matters such as timely convening of annual general meeting and adoption of audited financial statements. See "Business — Non-compliance incidents" for further details. If the Registrar of Companies in Hong Kong takes any action against the relevant subsidiaries in our Group, including the assessment of fines or other penalties and/or if our Controlling Shareholders fail to indemnify us in full, our reputation, cash flow and results of operation may be adversely affected.

We may be requested to make up any unpaid social insurance fund and housing provident fund contributions during the Track Record Period.

Pursuant to the relevant PRC laws and regulations, employers in the PRC are required to make social insurance contributions and housing provident fund contributions for the benefit of their employees, and entities which fail to make contributions may be ordered to settle the unpaid contribution and subject to penalty within a stipulated time limit. During the Track Record Period, we did not make social insurance contributions and housing provident fund contributions in full for our employees. Our Directors have assessed that the unpaid amount of contributions to the social insurance and housing provident fund were approximately HK$2.1 million and HK$1.4 million, respectively, up to the 31 December 2013. We have been in compliance with the relevant regulations in relation to social insurance contributions since January 2014 and housing provident fund contributions since July 2013. Provision for the unpaid amount has been made in our financial statements in full which our Directors considered as adequate. For details, see "Business — Non-compliance incidents".

There is no assurance that our Group will not be subject to fines or penalties in the future, and if such happens, our Group's financial position may be adversely affected.

We are involved in one on-going litigation. This and any other litigations or legal proceedings could expose us to financial liability, divert our resources away from our business and adversely affect our reputation and financial condition.

As at the Latest Practicable Date, we were involved in one on-going litigation against us by a fabric supplier. See "Business — Legal proceedings" for further details. Until such proceedings are concluded, we will incur legal costs in defending the claim. Regardless of the merits of the claim, any time and money spent defending this claim diverts resources away from our business. If we are found liable, we may have to pay out damages to satisfy the claim. If our Controlling Shareholders fail or are unable to indemnify us against any liabilities arising from the matter pursuant to the Deed of Indemnity, we may need to bear the full amount of the claim and other interests and costs as we do not have insurance to cover the costs of litigation. As at the Latest Practicable Date, as the trial is yet to be held, the results and outcome of the litigation are inherently uncertain, thus we are unable to accurately quantify the total amount of our liabilities at this stage if we are found liable.

We are subject to the risk of legal claims and proceedings and regulatory enforcement actions in the ordinary course of our business. Any litigations or legal proceedings could expose us to financial liability, divert our resources away from our business and our reputation and financial condition could be adversely affected.

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

Our business objectives are accomplished by implementing various future business plans. Our Directors believe that our future success depends on our ability to continually expand our base of third-party manufacturers and broaden our product offerings. However, such expansion plan is formulated based on assumptions as to the occurrence of certain future events, which may or may not materialise, and thus it is subject to a series of uncertainties and risks, including but not limited to:

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

As such, there is no assurance that our expansion plan will materialise within the planned timeframe, or at all, or that our business objectives will be fully or partially accomplished. In the event

that we fail to accomplish our expansion plan or to do so in a timely manner, we may not be able to achieve our planned future business growth and our operating results may be adversely affected.

We expect to incur significant costs in connection with the expansion of our business. If we are unable to generate sufficient revenue from our business or our financial needs are larger than expected, we may need to raise funds from debt or equity financing means. Alternatively, we may need to make certain modifications to our current intended use of proceeds as described in "Future Plans and Use of Proceeds", which could have an adverse effect on our operations and future profitability.

We also face the risk that our existing management staff, design and development capabilities, and internal control systems and other systems and procedures may be inadequate to support our expansion plan. If we fail to continue to improve our infrastructure, management or operational systems required to support our expansion plan, we may be unable to achieve our expansion objectives and our business operations may be seriously harmed.

Possible impact of certain non-recurring expenses on our financial performance.

Notwithstanding our financial performance for the three years ended 31 December 2013 disclosed in this document, our financial results for the year ending 31 December 2014 will be affected by certain non-recurring expenses, including the expenses in relation to the **[REDACTED]**. Currently, we only have an estimate of our **[REDACTED]** to be incurred and the actual amount to be recognised in the financial statements of our Group for the year ending 31 December 2014 is subject to adjustment based on the audit and the changes in variables and assumptions. Accordingly, our financial results for the year ending 31 December 2014 will be affected by the expenses in relation to the **[REDACTED]**.

If we fail to collect our receivables (other than trade and bills receivables), our financial condition and results of operations may be materially and adversely affected.

We recorded receivables (other than trade and bills receivables) during the Track Record Period, which amounted to approximately HK$43.1 million, HK$57.4 million and HK$46.0 million as at 31 December 2011, 2012 and 2013 respectively. (Such receivables are referred to as "other receivables" in "Financial Information — Net current assets — Prepayments, deposits and other receivables" and are discussed therein.) We cannot assure you that we will be able to collect such other receivables from our debtors, including the relevant third-party manufacturers, in full or in a timely manner, and our failure to do so may materially and adversely affect our financial condition, results of operations and cash flow, as we could be forced to write off a receivable in accordance with IFRS and our accounting policies if our debtors failed to honour their repayment obligations. In addition, we may incur expenses and have management resources diverted relating to the collection of such other receivables, such as through legal proceedings.

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

Our total revenue amounted to approximately HK$666.7 million, HK$463.6 million and HK$554.6 million for the three years ended 31 December 2013 respectively. Our gross profit for each of the three years ended 31 December 2013 was approximately HK$85.1 million, HK$73.2 million and HK$84.6 million respectively. Our gross profit margin for each of the three years ended 31 December 2013 was approximately 12.8%, 15.8% and 15.3% respectively. For details, see "Financial Information — Principal statement of profit or loss components — Gross profit and gross profit margin". Our net profit margin was 3.0%, 6.2% and 4.5% for each of the three years ended 31 December 2013. For details, see "Financial Information — Major financial ratios analysis — Net profit margin". However, our revenue and profit during the Track Record Period may not be indicative of our future performance and we may encounter difficulties in sustaining our current profitability. Our future revenue and profitability

depend on a number of factors, including the successful implementation of our future plans as stated in ''Future plans and use of proceeds''. Our gross and net profit margins also depend on factors including the selling prices of our products and sales volumes which are outside our control, and therefore we cannot assure you that we will be able to maintain the current level of profit margins in the future. Investors should be aware that we can offer no assurances that we will be able to increase or maintain our historical revenue or profit levels.

We may not be able to successfully track the fast changing fashion trends and respond to customer demands for garment products.

During the Track Record Period, we sourced mainly woven wear products for our customers. We cannot accurately predict the supply and demand for particular garment products which may change from season to season and from year to year due to factors such as fashion trends or fluctuations in consumer preferences. If consumer demand for woven wear products decreases, our customers may reduce the size of orders placed with us or cease to place orders with us, and our operating results may be materially and adversely affected due to fluctuation in purchase order. If we are unable to predict, identify and respond promptly to such changes, we may not be able to adjust our operations to cope in a timely manner. For example, we may not be able to locate third-party manufacturers to produce other types of garment products that meet our requirements, and we may not have sufficient time to recruit suitable personnel or introduce appropriate changes to our operation model.

We cannot guarantee the accuracy of facts, projections, other statistics and information derived from various official government publications or the Industry Expert Report, referred to in this document.

Facts, projections, other statistics and information in this document relating to the global and US market and the apparel supply chain management services industry has been derived from various official PRC government publications or obtained from Ipsos. We believe that these publications are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of the source materials. They have not been prepared or independently verified by us, the Sponsor, the **[REDACTED]** and the **[REDACTED]** or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts, forecasts, statistics and information, which may not be consistent with other information compiled elsewhere. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts, forecasts, statistics and information in this document may be inaccurate or may not be comparable to facts, forecasts, statistics and information produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Hence, you should not unduly rely upon the facts, forecasts, statistics and information with respect to the global and US market and the apparel supply chain management services industry contained in this document.

RISKS RELATING TO OUR INDUSTRY

Our sales may be affected by seasonality. Any seasonal fluctuations may affect the number of orders that customers place with us and may not match our expectations, which could adversely affect our financial conditions and results of operation.

Our sales are subject to seasonal fluctuations during the year and are largely determined in part by two major fashion seasons: spring/summer and autumn/winter. We generally record higher sales from December to April for the spring/summer products as our customers have higher demand for woven wear products such as shirts and blouses for their spring/summer collections. These

fluctuations may vary considerably from time to time as a result of changes in seasonal demand. As a result of these fluctuations, comparisons of sales and revenue between different periods within the same financial year, or between the same periods in different financial years, are not necessarily meaningful and cannot be relied upon as indicators of our past or future performance. Any seasonal fluctuations reported in the future may not match our expectations and this could adversely affect our Company's financial conditions and results of operation.

Fluctuations in consumer spending caused by changes in macroeconomic conditions may significantly affect our business operations, financial condition, results of operations and prospects.

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

If demand from end consumers is low, companies operating in the apparel supply chain management industry may experience significant reductions in orders and greater pricing pressures from customers. Other factors such as the imposition of new trade barriers, sanctions, boycotts and other measures, trade disputes, labour disputes, disruptions to the transportation industry, as well as acts of war or hostilities, could delay or prevent the delivery of apparel products to customers in the US or elsewhere, or even reduce demand for apparel products. If this were to occur, there would be an adverse effect on our business operations, financial condition, results of operations and prospects.

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

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

An increase in the minimum wage of apparel-making factory workers and pressure to improve working conditions may adversely affect our business operations and financial condition.

Pressure on the governments in countries including Bangladesh and Cambodia to increase the minimum wage of workers in apparel-making factories could increase the operating costs of our third-party manufacturers. This increase may then be passed on to our Group through an increase in subcontracting fees. If we are not able to pass on such additional costs to our customers, this may adversely affect our business operations and financial condition.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

The economic, political and social conditions of the PRC, as well as its government policies, could adversely affect the financial markets in the PRC and our business and results of operations.

Our operations and financial results could be adversely affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretations thereof), measures which might be introduced to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion and the imposition of additional export restrictions. Furthermore, a significant portion of

economic activities in the PRC are export-driven at present and, therefore, are affected by developments in the economies of the principal trading partners of the PRC and other export-driven economies. Since late 2003, the PRC government has implemented a number of measures to prevent the PRC economy from overheating. While some of these measures may benefit the overall PRC economy, they may have a negative effect on us. Many of the economic reforms undertaken by the PRC government are unprecedented, and may be subject to change, revision or abolition. We can offer no assurance that the PRC government will continue to pursue a policy of economic reform. The policies and other measures taken by the PRC government to regulate the PRC economy may adversely affect our operating and financial results.

The PRC's legal system is still evolving and the uncertainties as to the interpretation and enforcement of PRC laws could have a material adverse effect on us.

Some of our business and operations are conducted in China, and thus we are governed primarily by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes and past court decisions have limited precedential value and are cited for reference only. Since the late 1970s, the PRC government has made significant progress in the development of its laws and regulations governing economic matters, such as foreign investment, company organisation and management, business, tax and trade. As these laws and regulations are still evolving and there are only limited number of non-binding court cases, however, there exist uncertainties about the interpretation and enforcement of the laws and regulations. For the same reasons, any legal protections available to us under these laws and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

The enforcement of the labour-related regulations in the PRC such as the Labour Contract Law of the PRC (中華人民共和國勞動合同法) may adversely affect our business and our results of operations.

Compared to the Labour Law of the PRC (中華人民共和國勞動法), the Labour Contract Law of the PRC (中華人民共和國勞動合同法) (the "**Labour Contract Law**"), enacted by the National People's Congress of the PRC on 29 June 2007 and implemented on 1 January 2008, has more stringent requirements on employers in relation to entry into fixed term employment contracts and dismissal of employees. Overall, the Labour Contract Law includes specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with labour unions and employee general assemblies, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining.

Under the Labour Contract Law, an employer is required to sign an unlimited term labour contract with an employee if the employer continues to employ the employee after the expiration of two consecutive fixed term labour contracts except in certain circumstances as specified in the Labour Contract Law. An employer is also required to make severance payments to fixed term contract employees when the term of their employment contracts expire, except in certain circumstances as prescribed in the Labour Contract Law including where an employee voluntarily rejects an offer to renew the contract where the conditions offered by the employer are the same as or better than those stipulated in the current contract. In addition, employees have the right to receive overtime wages when working overtime and the right to terminate or modify the terms of the labour contracts under the Labour Contract Law.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which was implemented on 1 January 2008, employees who have served more than one year with an employer are entitled to paid vacation ranging from 5 to 15 days, depending on their length of service. Employees who agree to waive their holiday time at the request of their employers must be compensated with three times their normal daily salary for each day of holiday waived.

As a result of these labour protective measures, our historical labour costs may not be indicative of our labour costs going forward, and there can be no assurance that there will not be any additional or new labour laws, rules or regulations in the PRC, which may lead to potential increases in labour costs or future disputes with our employees. There can also be no assurance that any disputes, work stoppages or strikes will not arise in the future. Compliance with the relevant laws and regulations may substantially affect our operating costs, or those of the third-party manufacturers and suppliers, and thus may have a material adverse effect on our results of operations.

PRC regulations in relation to direct capital investments and loans by offshore holding companies to PRC entities may delay or restrict us from using the proceeds from the [REDACTED] to make additional contributions or loans to our PRC subsidiary.

We may use the proceeds of the **[REDACTED]** to finance our business by making loans or additional capital contributions to our subsidiary established in the PRC. As a company incorporated in the Cayman Islands, any such capital contribution or loan that we make to our PRC subsidiary are subject to PRC regulations. For example, any of our loans to our PRC subsidiary cannot exceed the difference between the total amount of investment that our PRC subsidiary is approved to make under the relevant PRC laws and the registered capital of our PRC subsidiary and any such loans must be registered with the local branch of SAFE. In addition, if we make additional capital contributions to finance our PRC subsidiary, the amount of these capital contributions must be approved by and registered with the MOFCOM or its local counterpart. We offer no assurance that we will be able to obtain these approvals on a timely basis, or at all. If we fail to receive such approvals, our ability to use the proceeds of the **[REDACTED]** and our ability to make capital investments or provide loans to our PRC subsidiary or to fund and expand its operations could be adversely affected, which could have a material adverse effect on our PRC subsidiary's liquidity, its ability to fund its working capital requirements and our overall business, results of operations and financial condition.

We may rely on dividends and other distributions on equity paid by our PRC subsidiary to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiary to make payments to us could have a material adverse effect on our ability to conduct our business.

We are a holding company and may rely on dividends paid by our PRC subsidiary for our cash requirements. Current PRC regulations permit our PRC subsidiary to pay dividends to us only out of its retained earnings, if any, determined in accordance with PRC accounting standards. In addition, our PRC subsidiary is required to set aside a certain percentage of its after tax profits based on PRC accounting standards each year to its reserve fund until the accumulated amount has reached 50% of the registered capital of our PRC subsidiary, in accordance with the requirements of relevant laws and provisions in its articles of association. These reserves, however, are not allowed to be distributed as cash dividends. Furthermore, if our PRC subsidiary incurs debt on its own behalf, the instruments governing the debt could restrict its ability to pay dividends or make other payments to us. As a result, our PRC subsidiary is restricted in its ability to transfer a portion of its net income to us, whether in the form of dividends, loans or advances, which could adversely affect our business operations.

We face taxation uncertainty with respect to the indirect transfer of equity interests in our PRC resident enterprise through transfers made by our non-PRC Shareholders.

The State Administration of Taxation (**"SAT"**) issued Guoshuihan (2009) No.698, the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (**"Circular 698"**) on 10 December 2009 which was made retrospectively effective from 1 January 2008.

Pursuant to Circular 698 and SAT announcement 2011 No. 24, except for the purchase and sale of equity in a PRC resident enterprise through a public securities market, where a non-PRC resident

enterprise (the actual controlling party) indirectly transfers the equity interests of a PRC resident enterprise through disposing of its equity interests in a non-PRC holding company (the **"Indirect Transfer"**), and such non-PRC holding company is located in a tax jurisdiction that: (i) has either an effective tax rate of less than 12.5%, or (ii) does not tax foreign income on its residents, the non-PRC resident enterprise shall report the Indirect Transfer to the competent tax authority of the PRC resident enterprise. Using the "substance over form" principle, the PRC tax authority may disregard the existence of the non-PRC holding company if it lacks a reasonable commercial purpose and in their opinion, has adopted an abusive arrangement for the purpose of avoiding PRC tax. As a result, gains derived from such an Indirect Transfer may be subject to PRC withholding tax at 10.0%. Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

In connection with our Reorganisation, we conducted a transaction that may be deemed to be an Indirect Transfer of equity interests in our PRC subsidiary, Yibao Clothing. If the relevant PRC tax authorities hold that the non-PRC holding company does not have any bona fide commercial purpose and the Indirect Transfer was conducted for the purpose of avoiding PRC tax, or if the Indirect Transfer is otherwise taxable under Circular 698, the transferor (i.e Happy Zone) may be required to pay PRC withholding tax for such Indirect Transfer and we may be required to assist Happy Zone in respect of its obligations to file the required documents with, and to pay PRC withholding tax to, the relevant PRC tax authorities.

Since the implementation of Circular 698 may, in practice, vary across different local tax authorities, it remains uncertain how the PRC tax authorities will examine the commercial purpose of non-PRC holding companies and Indirect Transfers generally. The extent to which we may be required to assist Happy Zone in its filing and payment obligations is not stipulated in any definitive PRC law and is subject to the discretion of the relevant PRC tax authority. If we are required by the relevant PRC tax authority to assist Happy Zone in respect of its obligations to pay withholding tax, our tax liability may increase and our business operations, financial condition and operating results may be adversely affected. Notwithstanding, according to Circular 698, the reporting and tax obligation, if any, remains with the transferor, i.e. Happy Zone in our case.

You may experience difficulty in effecting service of legal process, enforcing any judgments or bringing original actions in the PRC or Hong Kong based on foreign laws against us and our Directors and senior management.

We are incorporated in the Cayman Islands. A portion of our assets are located in the PRC and are subject to the PRC legal framework that is materially different from other jurisdictions, including Hong Kong and the US. Therefore, it may not be possible for investors to effect service of process upon us inside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions.

On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (the "**Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a

judgment rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

Dividends payable by us to our foreign investors and gain on the sale of our Shares by our foreign investors may become subject to withholding income tax under PRC tax laws.

Under the PRC EIT Law and the implementation rules issued by the State Council, PRC withholding income tax at the rate of 10.0% is applicable to dividends payable by a PRC tax resident enterprise to investors that are "non-PRC resident enterprises". Under these laws, if we are deemed to be a non-PRC tax resident enterprise that does not have an establishment or place of business in the PRC, or we do have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, then withholding income tax at the rate of 10.0% will be applicable to any dividends paid from our PRC subsidiary to us unless we are entitled to a reduction or elimination of such tax under applicable tax treaties. Similarly, any gain realised on the transfer of shares of a PRC tax resident enterprise by such investors is also subject to 10.0% PRC withholding income tax if such gain is regarded as income derived from sources within the PRC. Investors who are established in Hong Kong and are considered as non-PRC resident enterprises by the PRC tax authority are subject to a PRC withholding income tax at a reduced rate of 5.0% if the investor is qualified as the beneficial owner and owns more than 25.0% of the registered capital of the PRC tax resident enterprise.

If we are deemed a PRC "resident enterprise" under the PRC EIT Law, it is unclear whether the dividends we pay with respect to the Shares, or the gain our foreign Shareholders (excluding individual natural persons) may realise from the sale of Shares may be treated as income derived from sources within the PRC and be subject to PRC income tax. If we are required under the PRC EIT Law to withhold PRC income tax on our dividends payable to our foreign Shareholders, or if they are required to pay PRC income tax on the transfer of the Shares, the value of their investment in our Shares may be adversely affected.

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

Our business could be adversely affected by the effects of avian flu, SARS, 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 third-party manufacturers and suppliers. This could include restrictions on travel or the shipment of apparel products outside of the PRC or prevent 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 CONDUCTING BUSINESS IN COUNTRIES OTHER THAN THE PRC

Our non-PRC operations subject us to additional local laws and regulations, government policies and economic, social and political conditions of the respective jurisdictions in which operate.

Apart from our operations in the PRC, we have operations in Hong Kong, Macao, Cambodia and Bangladesh. 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 directly 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.

Risks relating to our business operations involving US customers

We rely significantly on the US market and any changes in the economic and regulatory conditions of the US or changes in the business strategy of our US customers, may have a material impact on our business.

Almost all of our customers, including our five largest customers for the Track Record Period, are retailers or specialty stores in the US who sell apparel products either directly to the US domestic market or in other countries. For each of the three years ended 31 December 2013, revenue generated from the US market accounted for approximately 91.0%, 90.4% and 88.6% of our total revenue for the same periods respectively, while revenue from the sales to other markets accounted for approximately 9.0%, 9.6% and 11.4% of our total revenue for the same periods respectively.

If there is any change in the economic conditions of the US or any change in the management or control of our US customers, then our US customers may change their business strategy which may cause their demand for apparel products which we procure for them to decrease, and this may have an adverse effect on our business performance, financial condition and results of operations.

We do not have direct contractual arrangements with the end-users who are the consumers of our customers. Our sales to our customers are made on an order-by-order basis. For example, there may be a serious downturn in the overall economy of the US or in the US apparel retail industry; measures to tighten the US credit policy may be introduced to control inflation in the US; and policies unfavourable to the import of goods into the US may deteriorate the financial condition and purchasing power of our customers in the US. In addition, during periods of economic or political uncertainty (such as the conflicts in Afghanistan, Iraq and Syria), orders placed by our US customers may be reduced. Our customers are not obliged to place orders with us, so order quantities can fluctuate depending on the profitability of our customers' businesses and their spending power. A renewed economic downturn in the US or continued uncertainties regarding future prospects that affect consumer spending habits in the US may have an adverse effect on the placing of orders by our customers. We can offer no assurances that we will be able to respond quickly to any economic, market or regulatory changes in the US market, and any failure to do so may cause an adverse effect on our business performance, financial condition and results of operations.

Risks relating to conducting business in Macao

Our business is subject to economic and political risks in Macao.

Conducting business in Macao involves certain risks not typically associated with operations in Hong Kong, including risks relating to changes in Macao's and the PRC's political, economic and social conditions, changes in Macao governmental policies, changes in Macao laws or regulations or their interpretation, changes in interest rate and change in rates or method of taxation. Our operations in Macao are exposed to the risk of changes in laws and policies that govern companies that operate in Macao. In addition, the legal and judicial system adopted in Macao is substantially different from that in Hong Kong, and rights and protection under Hong Kong laws that companies in Hong Kong expect, may not exist in Macao.

Risks relating to conducting business in Cambodia

Our business may be subject to labour unrest and political unrest in Cambodia which may adversely affect our business and operations.

Our operations in Cambodia are subject to laws, rules and regulations promulgated by the Cambodian Parliament or the Cambodian Government. The laws in Cambodia and its legal system are still in a developmental stage and are subject to change. This means there is a lack of consistency and predictability in dispute resolution and in the interpretation and enforcement of laws and regulations. Accordingly, conducting business in Cambodia entails a certain degree of risk and uncertainty. In the event that new laws are imposed, or existing laws, rules or regulations are interpreted or enforced in a way which is adverse to our operations, our business could be adversely affected.

Furthermore, the recent history of Cambodia has been characterized by political instability, with ongoing protests between different factions over claims of widespread electoral rigging since the general election which took place in July 2013. Additionally, during the Track Record Period, there were increased demands from garment factory workers for better pay and working conditions. Hence, labour market risks are high in Cambodia, mainly reflecting the increased incidence of labour unrest and the limited supply of skilled labour in Cambodia. The incidence of labour unrest may increase costs for the third-party manufacturers in Cambodia which they may pass on to us, or, on the part of the third-party manufacturers, may result in the disruption to production schedules or closure of production sites, which may adversely affect our ability to deliver apparel products to our customers on time. Further increases in the minimum wage of Cambodian textile and garment sector workers and pressure to improve working conditions may also adversely affect our business operations and financial condition. Further, infrastructure in Cambodia is poorly developed and this presents a high risk to businesses operating in Cambodia. There are also moderate security risks stemming from violent and organised crime and increasing social unrest related to the recent election in July 2013 and demands for increases in the minimum wage. Any of these risks could adversely affect our business operations or those of the third-party manufacturers in Cambodia.

Risks relating to conducting business in Bangladesh

Our business may be subject to power shortages, labour unrest and political unrest in Bangladesh which may adversely affect our business and operations.

Bangladesh is susceptible to power shortages. Our information technology and administrative systems need electricity to function and power outages could not only disrupt our operations and result in loss of revenue, but also cause inefficiency and increase of wastage. The textiles and apparels sector of Bangladesh is heavily affected by labour unrest. Any incident of labour unrest may increase costs for the third-party manufacturers in Bangladesh which they may pass on to us, or adversely affect our ability to deliver apparel products to our customers on time. In addition, outbreaks of political unrest (such as the violence and disruption related to the national elections in Bangladesh in January 2014) may result in labour strikes and closures of the production facilities of the third-party manufacturers in Bangladesh which may disrupt production schedules or adversely affect our ability to deliver apparel products to our customers on time. As a result, power outages, labour unrest or political unrest in Bangladesh could adversely affect our business and operations.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for the [REDACTED]. An active trading market may not develop for the [REDACTED] and the liquidity and market price of the [REDACTED] following the [REDACTED] may be volatile.

Prior to the **[REDACTED]**, no public market for the **[REDACTED]** existed. The initial **[REDACTED]** range issued to the public for the **[REDACTED]** was the result of negotiations between our Company

and the **[REDACTED]**. The **[REDACTED]** may not be indicative of the price at which the **[REDACTED]** will trade following the completion of the **[REDACTED]**. We have applied to list and deal in the **[REDACTED]** on the Stock Exchange. There can be no assurance that there will be an active trading market for our Shares, or if it exists, that it can be sustained following the completion of the **[REDACTED]**, or that the price at which the **[REDACTED]** will trade will not decline below the **[REDACTED]**.

In addition, the price and trading volumes of the **[REDACTED]** may be volatile. Such volatility in the price of the **[REDACTED]** may be caused by factors such as variations in our operation results and financial position, investors' perception of us and our future business plans and prospects, or any other developments in our business or industries or the financial markets.

The market price of the [REDACTED] when trading begins could be lower than the [REDACTED].

The **[REDACTED]** of the **[REDACTED]** is expected to be determined on the **[REDACTED]**. However, the **[REDACTED]** will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fourth Business Day after the **[REDACTED]**. As a result, investors may not be able to sell or otherwise deal in the **[REDACTED]** during that period. Accordingly, holders of the **[REDACTED]** are subject to the risk that the price of the **[REDACTED]** when trading begins could be lower than the **[REDACTED]** as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Future sales or perceived sales of substantial amounts of our securities in the public market could have a material and adverse effect on the prevailing market price of the [REDACTED].

The market price of the **[REDACTED]** could decline as a result of future sales of substantial amounts of the **[REDACTED]** or other securities relating to the **[REDACTED]** in the public market or the issuance of new Shares or other securities, or the perception that such sales or issuances may occur. Except for certain amounts of the **[REDACTED]** currently outstanding that are and/or will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the **[REDACTED]** as described in "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offer", there are no restrictions imposed on our Controlling Shareholders to dispose of their shareholdings in our Company. Any major disposal of the **[REDACTED]** by any of our Controlling Shareholders may cause the market price of the **[REDACTED]** to fall. In addition, future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price our Directors deem appropriate, thereby limiting our ability to raise capital.

Issuance of additional Shares in the future may cause dilution of your shareholding in our Company.

We may need to raise additional funds due to changes in business conditions, or to finance our future plans, whether in relation to our existing operations, any acquisitions, or any expansion of our base of third-party manufacturers. If additional funds are raised by way of the issuance of new Shares or equity-linked securities other than on a pro rata basis to existing Shareholders, then the shareholding percentage of our existing Shareholders may be reduced, the earnings per Share and the net tangible asset value per Share would diminish and/or such newly issued securities may have rights, preferences and privileges superior to those of the Shares of our existing Shareholders.

As the [REDACTED] of the [REDACTED] is higher than the net tangible book value per [REDACTED], purchasers of the [REDACTED] will experience immediate dilution in the value of the [REDACTED].

Investors who purchase the **[REDACTED]** in the **[REDACTED]** will pay a price per **[REDACTED]** that exceeds the net book value of such **[REDACTED]**. As a result, investors of the **[REDACTED]** in the

[REDACTED] will experience an immediate dilution in the net tangible asset value per **[REDACTED]** of their purchased **[REDACTED]**. Moreover, we have adopted the Share Option Scheme, see "E. Share Option Scheme" in Appendix IV to this document. Issuance of Shares pursuant to the exercise of the Share Option Scheme will result in an increase in the number of Shares in issue after the issuance and thereby will cause dilution to the percentage of ownership of the existing Shareholders and the earnings per Share, and may cause dilution to the net tangible asset value per Share.

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 Sponsor, 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 other 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 Hong Kong, the PRC, the US, Macao, Cambodia and Bangladesh and their respective economies and apparel industries that have been extracted from government official sources and publications or other sources. Our Company believes the sources of these statistics and facts are appropriate and we have taken reasonable care in extracting and reproducing such statistics and facts. Our Company has 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 our Company, the Sponsor, the **[REDACTED]**, the **[REDACTED]**, any of their respective affiliates or advisers or any other party involved in the **[REDACTED]** and therefore, our Company makes 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.

INFORMATION ABOUT [REDACTED]

[REDACTED]

INFORMATION ABOUT [REDACTED]

[REDACTED]

INFORMATION ABOUT [REDACTED]

[REDACTED]

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Cheng Lap Yin (鄭立言)	Flat 2B, Lung Cheung Court 33 Broadcast Drive Kowloon Hong Kong	Chinese
Mr. Liu Chung Tong (廖頌棠)	Flat A, 57/F, Tower 5 The Belcher's 89 Pok Fu Lam Road Hong Kong	Chinese
Mr. Liu Ying Yin, James (廖英賢)	Flat A2, 4/F, Evergreen Villa 43 Stubbs Road Wanchai Hong Kong	Chinese
Mr. Kao Lap Shing (高立誠)	Flat K, 5/F, Block 17 Charming Garden 8 Hoi Ting Road Mong Kok Kowloon Hong Kong	Chinese
Mr. Yu Yuen Mau, Banny (余遠茂)	Flat D, 7/F, Block 1 Grand Waterfront 38 San Ma Tau Street To Kwa Wan Kowloon Hong Kong	Chinese
Independent non-executive Directors		
Mr. Chung Kwok Pan (鍾國斌)	J2 Marina Cove Sai Kung Hong Kong	Chinese
Mr. Lai Kin Keung (黎建強)	Flat D, 13/F, Block 7 Peridot Court 9 Yu Chui Street Tuen Mun New Territories Hong Kong	British
Mr. Ng Ming Yuen, John (吳明遠)	Flat C, 15/F 94 Broadway Mei Foo Sun Chuen Lai Chi Kok Kowloon Hong Kong	British

Name	Residential address	Nationality
Senior Management		
Ms. Lo Sau Ying (盧秀英)	Room H, 38/F, Block 1 Jubilee Garden Fo Tan, New Territories Hong Kong	Chinese
Mr. Cheung Chun Kong (張鎮剛)	Flat D, 31/F, Block 2 Monte Vista 9 Sha On Street Ma On Shan, New Territories Hong Kong	Chinese

See "Directors and Senior Management" for further details of our Directors and senior management.

PARTIES INVOLVED IN THE [REDACTED]

Sponsor	**Quam Capital Limited** 18/F-19/F, China Building 29 Queen's Road Central Hong Kong
	[REDACTED]
Legal advisers to our Company	*As to Hong Kong law:* **Pinsent Masons** 50/F Central Plaza 18 Harbour Road Hong Kong
	As to PRC law: **Guantao Law Firm** 15B, Tower A, World Finance Center 4003 Shennan Road East Shenzhen 518008 PRC

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As to Macao law:
Chio Tak Wo Law Firm
Avenida do Dr. Rodrigo Rodrigues
N° 600E
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As to Bangladesh law:
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Bangladesh

As to Cambodia law:
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Sangkat Tonle Bassac
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Phnom Penh
Cambodia

As to US law:
Husch Blackwell LLP
4801 Main Street, Suite 1000
Kansas City
Missouri
United States of America
64112

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Independent reporting accountants	**Ernst & Young** Certified Public Accountants Hong Kong 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Valuer	**Roma Appraisals Limited** Unit 3806 38/F, China Resources Building 26 Harbour Road Wanchai Hong Kong
Receiving banker	**Standard Chartered Bank (Hong Kong) Limited** 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Kowloon Hong Kong
Compliance adviser	**Quam Capital Limited** 18/F-19/F, China Building 29 Queen's Road Central Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Flat A & B, 9/F., Tontex Industrial Building 2-4 Sheung Hei Street San Po Kong Kowloon Hong Kong
Company's website	**www.hanbo.com** *(the information contained in this website does not form part of this document)*
Company secretary	Lau Wai Yee (劉惠儀) (ICSA, HKICS) Room 1906 China Insurance Group Building 141 Des Voeux Road Central Hong Kong
Authorised representatives	Mr. Cheng Lap Yin (鄭立言) Flat 2B, Lung Cheung Court 33 Broadcast Drive Kowloon Hong Kong Mr. Liu Chung Tong (廖頌棠) Flat A, 57/F, Tower 5 The Belcher's 89 Pok Fu Lam Road Hong Kong
Audit committee	Mr. Ng Ming Yuen, John (吳明遠) *(Chairman)* Mr. Chung Kwok Pan (鍾國斌) Mr. Lai Kin Keung (黎建強)
Compliance committee	Mr. Liu Chung Tong (廖頌棠) *(Chairman)* Mr. Kao Lap Shing (高立誠) Mr. Chung Kwok Pan (鍾國斌) Mr. Lai Kin Keung (黎建強) Mr. Ng Ming Yuen, John (吳明遠)
Remuneration committee	Mr. Lai Kin Keung (黎建強) *(Chairman)* Mr. Cheng Lap Yin (鄭立言) Mr. Chung Kwok Pan (鍾國斌)
Nomination committee	Mr. Cheng Lap Yin (鄭立言) *(Chairman)* Mr. Liu Ying Yin, James (廖英賢) Mr. Chung Kwok Pan (鍾國斌) Mr. Lai Kin Keung (黎建強) Mr. Ng Ming Yuen, John (吳明遠)

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This section contains certain information which is derived from official government publications and industry sources as well as a commissioned report from Ipsos, an Independent Third Party. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information derived from the above sources has not been independently verified by us, the Sponsor, **[REDACTED]***, the* **[REDACTED]** *or any of their affiliates or advisors, nor any other party involved in the* **[REDACTED]** *and no representation is given as to its accuracy.*

We commissioned Ipsos, an independent market research company, to conduct an analysis of, and to report on the industry development and trends and competitive landscape of the apparel supply chain management service industry in selected regions, including the Greater China region and Southeast Asia (including Cambodia, Bangladesh, Vietnam, Myanmar and Indonesia) and the economy and demand for apparel products in the global market in general and the US market from 2008–2017. The Industry Expert Report commissioned has been prepared by Ipsos independent of our influence. We cannot guarantee the accuracy of facts, projections, other statistics and information, see "Risk Factors — Risks relating to our business — We cannot guarantee the accuracy of facts, projections, other statistics and information derived from various government publications or the Industry Expert Report, referred to in this document." Ipsos has charged our Company a total fee of HK$478,000 for the Industry Expert Report, which we believe reflects the market rate.

INTRODUCTION

Ipsos is an independent market research company and is one of the largest research companies in the world, employing approximately 16,000 personnel worldwide across 85 countries. Ipsos conducts research on market profiles, market size, market share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

The Industry Expert Report includes information on the apparel supply chain management service industry in the Greater China region, apparel manufacturing in the Greater China region and Southeast Asia and demand for apparel products, mainly in the US market. The information contained in the Industry Expert Report is derived by means of data and intelligence gathering which includes: (i) desk research including government and regulatory statistics, industry reports and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos, (ii) client consultation to obtain background information on our Company, and (iii) primary research by interviewing key stakeholders and industry experts, including associations and experts, government officials, apparel manufacturers, OEM manufacturers and ODM manufacturers, and branded fashion retailers.

The information and data gathered by Ipsos has been analysed, assessed and validated using Ipsos's in-house analysis models and techniques. The methodology used by Ipsos is based on information sourced from multiple levels and allows such information to be cross-referenced for accuracy. This is the basis upon which we consider the data and statistics to be reliable. Our Directors believe that after taking reasonable care, there is no adverse change in the market information included in this section of the document, since the date of the Industry Expert Report which may qualify, contradict or have an impact on the information.

PARAMETERS AND ASSUMPTIONS USED IN THE INDUSTRY EXPERT REPORT

Analyses in the Industry Expert Report are based on the following assumptions:

- the supply of both local and imported apparel products is assumed to be stable and without shortage over the forecast period;

- it is assumed that there is no external shock such as a financial crisis or natural disasters to affect the demand and supply of apparel products over the forecast period;

- The exchange rate of US$ to HK$, RMB is used in the entire report as follows:

  2017: US$1 to HK$ 7.7412, RMB 5.6801
  2016: US$1 to HK$ 7.7452, RMB 5.8241
  2015: US$1 to HK$ 7.7461, RMB 5.9580
  2014: US$1 to HK$ 7.7519, RMB 6.0900
  2013: US$1 to HK$ 7.7560, RMB 6.1958
  2012: US$1 to HK$ 7.7564, RMB 6.3123
  2011: US$1 to HK$ 7.7840, RMB 6.4615
  2010: US$1 to HK$ 7.7692, RMB 6.7703
  2009: US$1 to HK$ 7.7518, RMB 6.8314
  2008: US$1 to HK$ 7.7868, RMB 6.9487

Analyses in the Industry Expert Report have taken into account the following parameters:

- GDP growth rate in the global market, the US and the Greater China region from 2008 to 2017;

- Average annual household disposable income in the global market, the US and the Greater China region from 2008 to 2017;

- Average annual household consumption expenditure in the global market, the US and the Greater China region from 2008 to 2017;

- The 12th Five-Year plan of the PRC and the National Economy for Social Development; and

- The 12th Five-Year plan on Textile Development.

ECONOMIC GROWTH IN THE GLOBAL ECONOMY AND THE US

It is expected that the GDP growth rate of both the global market and the US market will rise in the years from 2014 to 2017.

The global economy

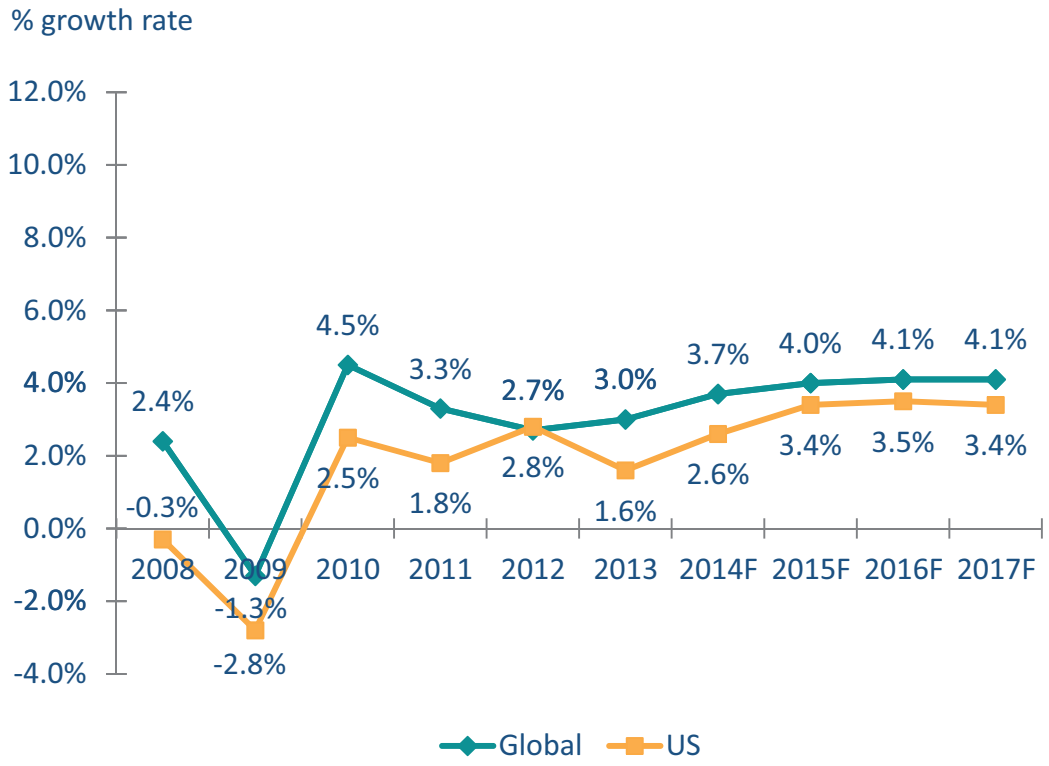
The global economy experienced minor growth with its GDP growth rate increasing from 2.4% in 2008 to approximately 3.0% in 2013. During this period, GDP growth rate dropped to -1.3% in 2009 due to the global financial downturn, before bouncing back to a high of about 4.5% in 2010 supported by strong economic growth in the Greater China region. However, the GDP growth rate of the global market dropped in 2011 and 2012, to 3.3% and 2.7% respectively, as a result of the impact of the European debt crisis.

The US economy

The US economy saw its GDP growth rate drop from -0.3% in 2008 to approximately -2.8% in 2009 during the global financial downturn. Although the GDP growth rate rebounded to 2.5% in 2010 along with a recovery in the worldwide economy, it experienced a slight drop to 1.8% in 2011 and rose to 2.8% in 2012 before dropping again to 1.6% in 2013.

It is expected that the economy of both the global and the US markets will grow steadily with GDP growth rates predicted to range from 3.7% to 4.1% and 2.6% to 3.5% respectively from 2014 to 2017. A steady increase in GDP growth rates worldwide could increase the demand for apparel products worldwide, which will likely increase the demand for apparel supply chain management services.

GDP Growth Rate in the Global and US markets from 2008 to 2017



Sources: IMF; Industry Expert Report

GROWTH IN DISPOSABLE INCOME AND HOUSEHOLD CONSUMPTION EXPENDITURE IN THE GLOBAL ECONOMY AND THE US

Disposable income

The average annual household disposable income of the global market increased at a compound annual growth rate ("**CAGR**") of about 1.8%, from approximately HK$169,000 in 2008 to approximately HK$184,700 in 2013. In comparison, the average annual household disposable income of the US market grew at a CAGR of about 1.7%, from an estimated HK$733,100 from 2008 to HK$799,000 in 2013. It is anticipated that, driven on by the stable growth of the worldwide economy, the average annual household disposable income of the global market and the US market will grow at a faster rate in comparison with the previous six years, at a CAGR of approximately 4.3% and 3.4% respectively for the years 2014–2017.

Household expenditure

The increase in household disposable income has driven an increase in household expenditure in the global market and the US market, which grew from approximately HK$151,400 and HK$667,100 since 2008, to HK$164,700 and HK$738,500 in 2013 respectively. It is expected that the average annual household consumption expenditure of the global market and the US market will grow at a CAGR of approximately 4.4% and 3.5% respectively from 2014 to 2017. With a higher annual household disposable income, it is expected that consumers will be more willing to spend more on fashion products, including apparel, and aim for better quality and value in doing so.

FACTORS AFFECTING DEMAND AND PRODUCTION OF APPAREL PRODUCTS

The economic situation

During times of an economic upturn, consumers both in the global market and in the US will generally have a higher average annual disposable income and are more willing to spend more on pursuing a higher standard of living in terms of, for example, following fashion trends. This increases the demand for apparel products both in the global market and in the US market which will increase the demand for apparel supply chain management service providers. In times of economic downturn, such as during the financial downturn in 2008 and 2009, the average annual disposable income of consumers is generally lower and consumers are more inclined to spend only on daily necessities, leading to a decrease in demand for apparel products and a drop in the sales revenue of the apparel industry in the global market and the US market.

Changes in the age structure of the population and consumer preferences

As seen in the Greater China region, an aging population could lead to an increase in demand for looser-fitting styles of apparel, as consumers generally have expanding waistlines as they age whilst a stable/increasing birth-rate, as seen in the US during 2010 and 2011 generally leads to growing demand for apparel products for babies.

Availability of raw materials in the Greater China region and Southeast Asia

A shortage of a particular raw material could lead to an increase in its price and subsequently increase production costs. Apparel manufacturers may have to consider substitute raw materials if the cost increase is prohibitive. Apparel supply chain management service providers usually charge the retailer based on the estimated manufacturing costs of apparel products, so a change in the manufacturing costs due to the availability of raw materials may lead to a change in contract prices.

Demand for apparel products in the global market, the US and the European Union

Any increase or decrease in demand for apparel products in these markets could affect the apparel manufacturing industry in the Greater China region and Southeast Asia. The US and the European Union are major export destinations of apparel products worldwide, contributing an estimated 21.5% (US$327 billion) and 24.9% (US$379 billion) of the total expenditure of apparel imports worldwide, respectively.

Increase in labour costs

An increase in labour costs could lead to rising production costs which affects the apparel manufacturing industry in the Greater China region and Southeast Asia. Manufacturers may relocate their factories to other countries with lower labour costs, weakening the competitiveness of the country which they leave. The average monthly salary per person in the apparel manufacturing industry in the Greater China region has increased approximately 15.0% since 2011 to HK$1,300 in 2012. In comparison, the average monthly salary in 2012 for countries in Southeast Asia such as Bangladesh (HK$300), Cambodia (HK$600) and Vietnam (HK$800) are lower.

Support from the government and implementation of trade policies and agreements in major apparel exporting countries

This has helped to boost apparel manufacturing. Support from the government could be from tax relief, suspending tariffs or export duties, assuring financing and liquidity for enterprises. The Trans-Pacific Partnership (**"TPP"**) is a trade agreement currently being negotiated by twelve countries, including the US and Vietnam. Under TPP, Vietnam's exports would have the tax rate of 0% instead of

the current rate of 17.3%. As the US is one of the members of TPP, many apparel companies or manufacturers who mainly export products to the US have established their factories in the southeastern Asia countries which are also members of TPP, including Vietnam.

The Regional Comprehensive Economic Partnership (**"RCEP"**) is an initiative aimed at linking the ten members of the Association of Southeast Asian Nations (**"ASEAN"**), which counts Cambodia, Vietnam, Myanmar and Indonesia amongst its members, and the group's free trade agreement partners including the Greater China region.

OVERVIEW OF THE APPAREL SUPPLY CHAIN MANAGEMENT SERVICES IN THE GREATER CHINA REGION

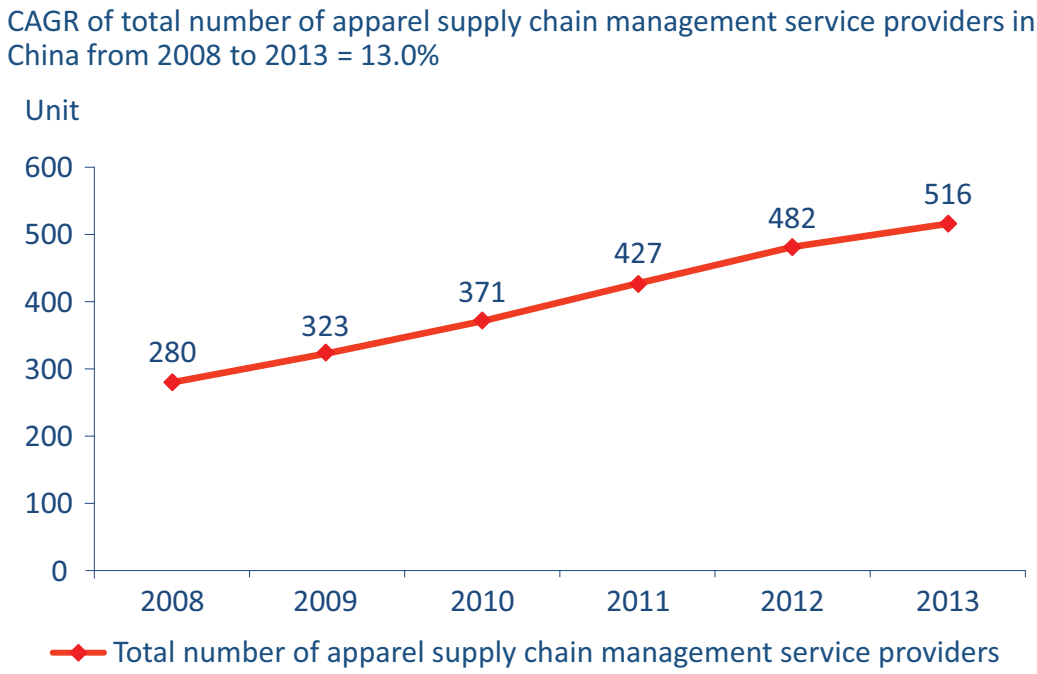
Apparel supply chain management service providers play an increasingly important role in the apparel industry in assisting apparel brand owners and retailers to lower the production costs and improve the efficiency of the apparel supply chain. Apparel brand owners and retailers have found it increasingly difficult to differentiate their products from their competitors due to rapid technology development in the apparel industry, which made it easier to imitate and copy designs. As a result, they have tried to win market share through minimising the production costs and shortening the production lead times. In addition, since the WTO's Agreement on Textiles and Clothing took effect on 1 January 2005 and quota restrictions on the textiles and clothing trade amongst members were removed, there has been a movement of apparel manufacturers being concentrated to certain regions including the Greater China region, Bangladesh, Vietnam, Cambodia and Myanmar. This has led to a growth in the number of apparel supply chain management service providers in these countries, which are looking to provide access to those manufacturers more efficiently and in a more cost-effective manner.

Apparel supply chain management service providers in the Greater China region can provide a wide range of products and services along the apparel supply chain including apparel product design and development, fashion trend collation and sampling, sourcing of raw materials, production order and management, quality control, inventory management and logistics management. The product scopes offered include woven wear and knitwear products.

NUMBER OF APPAREL SUPPLY CHAIN MANAGEMENT SERVICE PROVIDERS IN THE GREATER CHINA REGION

The total number of apparel supply chain management service providers in the Greater China region is expected to reach an estimated 516 in 2013 from an estimated 280 in 2008, at a CAGR of about 13.0%. Despite a growth in the number of apparel supply chain management service providers during the previous few years, the number of apparel supply chain management service providers in the market is still limited. In 2013, the total number of apparel supply chain management service providers in the Greater China region is less than five per cent. of the total number of apparel manufacturers in the Greater China region. A strong capability in apparel supply chain coordination and well established relationships with the apparel manufacturers are important criteria to become an apparel supply chain management service provider in the Greater China region. As competition increases in the apparel retail market, apparel brand owners and retailers tend to focus on their core business and outsource apparel supply chain management services to apparel supply chain management service providers. It is expected that there is great potential for the apparel supply chain management service providers to grow.

Total Number of Apparel Supply Chain Management Service Providers in the Greater China region from 2008 to 2013



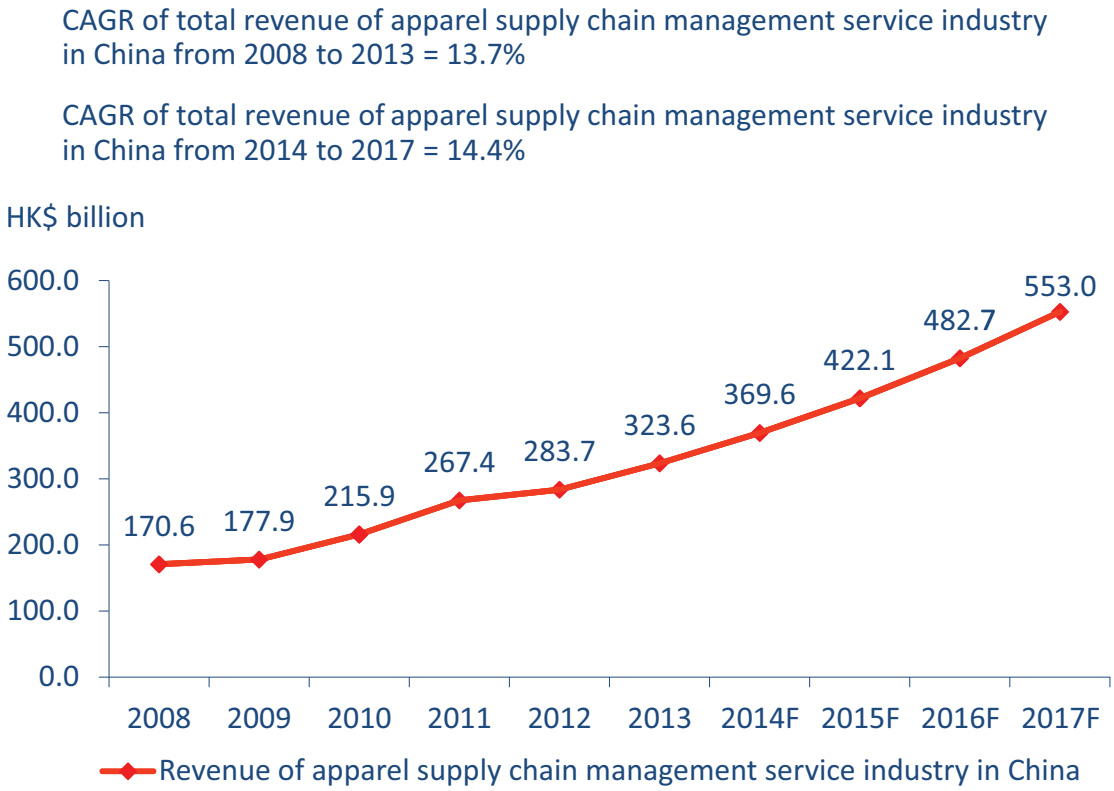
Sources: China National Garment Association; Industry Expert Report

REVENUE OF APPAREL SUPPLY CHAIN MANAGEMENT SERVICE INDUSTRY IN THE GREATER CHINA REGION

The total revenue of the apparel supply chain management service industry in the Greater China region has grown rapidly from approximately HK$170.6 billion in 2008 to approximately HK$323.6 billion in 2013, at a CAGR of 13.7%. Although rising labour costs in the Greater China region, coupled with the appreciation of the RMB has seen a massive relocation of production of lower-end manufacturing away from the Greater China region and to countries in Southeast Asia, the Greater China region remains the production base of choice for more sophisticated and higher value-added apparel products and orders which require a very quick turnaround time. It is expected that the total

revenue of the apparel supply chain management service industry in the Greater China region will grow at a slightly faster rate at a CAGR of around 14.4% from approximately HK$369.6 billion in 2014 to approximately HK$553.0 billion in 2017.

Total Revenue of Apparel Supply Chain Management Service Industry in the Greater China region from 2008 to 2017



Sources: Industry Expert Report

PRODUCTION VALUE OF THE APPAREL INDUSTRY IN THE GREATER CHINA REGION AND SELECTED REGIONS OF SOUTHEAST ASIA

From 2008–2013, the total production value of the apparel industry in the Greater China Region, Bangladesh, Cambodia, Vietnam and Indonesia grew at a CAGR of 12.4%, 12.8%, 11.9%, 16.0% and 9.6% respectively. From 2014–2017, the total production value of the apparel industry in the Greater China Region, Bangladesh, Cambodia, Vietnam and Indonesia is expected to grow at a CAGR of 12.9%, 13.6%, 17.4%, 17.6% and 13.9% respectively.

AVERAGE PRICE OF APPAREL SUPPLY CHAIN MANAGEMENT SERVICES AND APPAREL PRODUCTION PER CONTRACT IN THE GREATER CHINA REGION

It is expected that the average price of apparel supply chain management services per contract will drop slightly due to a reduction in order quantity per contract from 2014 to 2017. The average price of apparel supply chain management services per contract grew significantly from an estimated HK$551,700 in 2008 to an estimated HK$987,600 in 2013, at a CAGR of about 12.4%, whilst the average price of apparel production service per contract increased from an estimated HK$477,400 to an estimated HK$613,500 at a CAGR of 5.1% over the same period. The average price of apparel supply chain management services per contract depends heavily on the average price of apparel

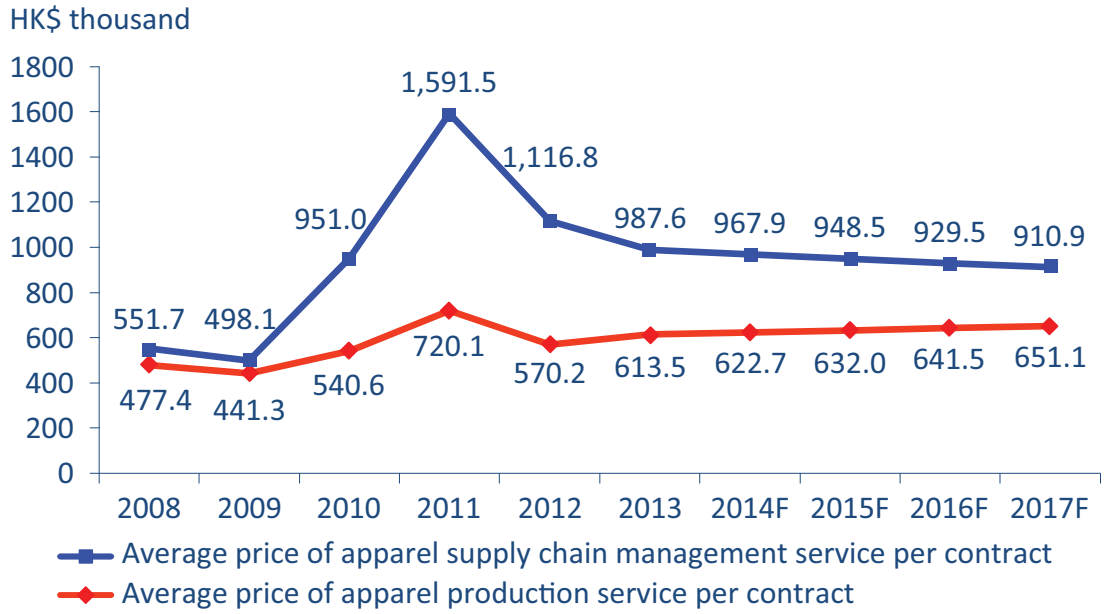
product service per contract, although the apparel supply chain management services industry has shown greater flexibility reflected by the greater volatility of the average price of apparel supply chain management services per contract.

It is expected that the average price of apparel supply chain management services per contract will drop annually by about 2.0% from 2014 to 2017, whilst the average price of apparel production services per contract will see a mild annual growth of about 1.5% over the same period. This will likely be due to increasingly fierce competition in the global apparel industry leading apparel brands and retailers to reduce the quantity of their orders per contract in order to gain more flexibility in meeting fast changing consumer preferences.

Average Price of Apparel Supply Chain Management Service and Apparel Production Service per Contract in the Greater China Region from 2008 to 2017

CAGR of average price of apparel supply chain management service per contract from 2008 to 2013 in the Greater China region = 12.4%
CAGR of average price of apparel production service per contract from 2008 to 2013 in the Greater China region = 5.1%

CAGR of average price of apparel supply chain management service per contract from 2014 to 2017 in the Greater China region = -2.0%
CAGR of average price of apparel production service per contract from 2014 to 2017 in the Greater China region = 1.5%



Sources: Zepol.com; Industry Expert Report

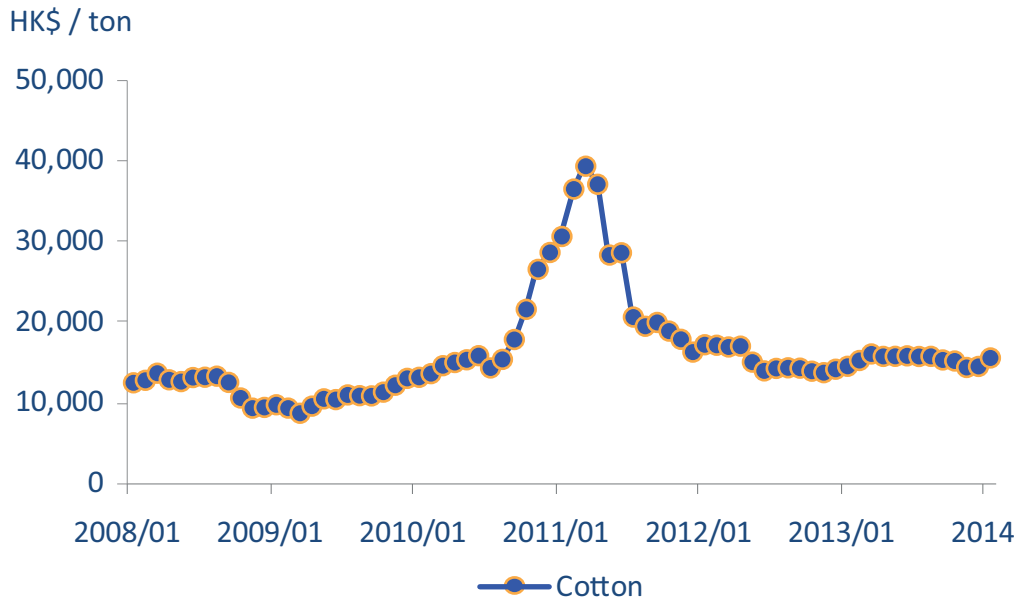
HISTORICAL PRICE TRENDS OF RAW MATERIALS AND FINAL PRODUCTS

The global average annual price of cotton increased from approximately HK$12,255.5 per ton in 2008 to approximately HK$15,432.0 per ton in 2013. The average price of cotton in the global market

reached an all-time low towards late 2008 and early 2009, due to decreasing demand from the apparel industry as the average household disposable income decreased following the global financial crisis in 2008. The average price of cotton in the global market reached an all-time high in 2011 due to occurrences of flooding in major cotton-producing areas, including regions in the PRC, Australia and Pakistan. As the supply of cotton decreased as a result of such occurrences of flooding, the price of cotton increased.

Average Price of Cotton in the Global Market from 2008 to 2013

CAGR of average price of cotton (328) in the global market from 2008 to 2013 = 4.7%

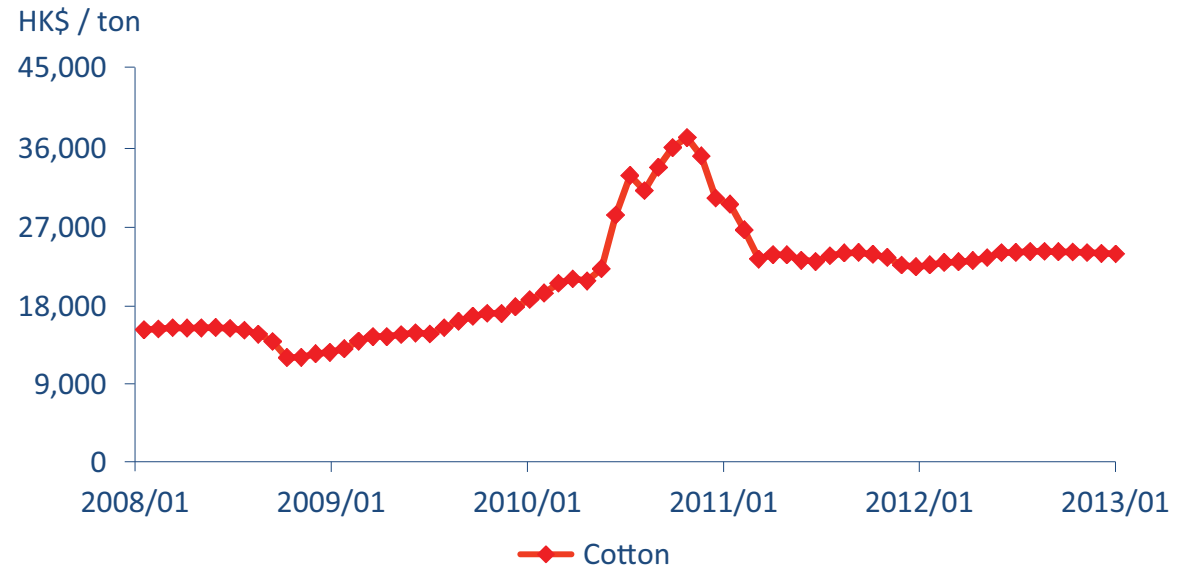


Sources: World Bank; Industry Expert Report

In the previous five years, the average price of cotton in the Greater China region was at its lowest in 2008 and 2009 reflecting the decreased demand for apparel products during the economic downturn. However, 2010 and 2011 saw a sudden surge in the price of cotton, where according to the China Cotton Association, the domestic demand for cotton was over 10 million tons in 2010. Surging demand for cotton coupled with shrinking local production pushed the average price of cotton upwards, peaking at about HK$28,723.9 per ton in 2011. The increase in price triggered an increase in the average price of apparel supply chain management services per contract to approximately HK$1,591,500 in 2011, an increase of around 67.4% compared to 2010. Parts of the increase in costs were shifted to manufacturers or retailers. Apparel supply chain management service providers may charge their customers based on the estimated manufacturing costs by purchase orders. Therefore, an increase in the price of key materials (e.g. cotton) will increase the price charged by apparel supply chain management service providers to their customers.

Average Price of Cotton in the Greater China Region From 2008 to 2013

CAGR of average price of cotton (328) in the Greater China region from 2008 to 2013 = 10.3%



Sources: Ministry of Commerce; China Cotton Association; Industry Expert Report

In the previous five years, the average price of fabric in the Greater China region decreased from approximately HK$60.0 per kg in 2008 to approximately HK$50.6 per kg in 2013, decreasing at a CAGR of approximately 3.3%. The decrease in the average price of fabric in the Greater China region was mainly caused by the decline in the demand for woven wear and increasing demand for cut-and-sewn knitwear.

Average Price of Fabric in the Greater China Region from 2008 to 2013

Note: Fabric refers to fabric which contains 85 % or more cotton by weight, (ie weighing more than 200g/m²).
Sources: Ministry of Commerce; China Cotton Association; China Customs; Industry Expert Report

The following table sets out a comparison of woven wear and cut-and-sewn knitwear in terms of products, similarities and differences, market outlook, challenges and trends:

	Woven wear	Cut-and-sewn knitwear
Products	Jeans, denim pants, woven cotton pants and woven cotton shirts	T-shirts, polo shirts and fleeces.
Similarities and differences	Similar production method, which involves the sewing of fabric together. However, woven fabric has a better ability to hold its shape compared to cut-and-sewn knitwear as it is usually a stronger material.	Similar production method, which involves the sewing of fabric together. However, cut-and-sewn knitwear fabric does not have the ability to hold its shape well compared to woven fabric as it is usually a weaker material.
Market outlook	It is expected that the market share of woven wear in the apparel industry will decrease at a slow rate in the next five years.	It is expected that the market share of cut-and-sewn knitwear in the apparel industry will continue to increase in the next five years.
Challenges	Higher costs of production of woven wear means that woven wear has a higher market price. The weaving and sewing process required for the production of woven wear is more complicated than that for the production of cut-and-sewn knitwear.	No specific challenges identified.
Trends	Products which have a combination of both woven wear and cut-and-sewn knitwear are becoming more popular.	The number and variety of cut-and-sewn knitwear has grown amongst low, middle and high-end consumer segments. The relatively low cost of production and softer textures of cut-and-sewn knitwear (compared to woven wear) may enable cut-and-sewn knitwear to become more and more popular with consumers in the future.

FACTORS AFFECTING THE APPAREL MANUFACTURING INDUSTRY IN SOUTHEAST ASIA

Bangladesh

Bangladesh has a competitive advantage by being able to offer high production capacity, with approximately 3.6 million workers and 5,000 apparel factories. However, without modern equipment and machinery, the country's manufacturing efficiency is restricted and this means that manufacturers are unwilling to place orders for more sophisticated products with manufacturers here. Another problem that Bangladesh faces is the poor infrastructure, in terms of transport and utilities, which can hinder the development of their apparel manufacturing industry and increase the logistical costs of an apparel supply chain management service provider.

Cambodia

Cambodia is export-dependent and during the economic downturn of 2008 and 2009, Cambodia's apparel manufacturing industry was affected as global demand for apparels dropped significantly. As a result of this, approximately 63,000 jobs were lost as around 50 factories were closed. Cambodia is hampered by a lack of a skilled workforce and this has hindered Cambodia from moving into high-end

manufacturing. While the current minimum wage was increased from about HK$585 to HK$775 per month on 31 December 2013, unions and workers have demanded an increase in wages to HK$1,241 per month. The strikes have led to a decrease in the productivity of workers and are likely to affect exports of apparel products in the short-term and long-term.

Myanmar

As labour costs rise in neighbouring countries, more customers are starting to source their apparel goods from Myanmar. Gaining sufficient orders will be essential for the development of Myanmar's apparel manufacturing sector. Due to the country's limited interactions with the international market, the transfer of expertise and technology from foreign countries has been limited. The exchange of skills and knowledge from other countries is vital for improving the overall manufacturing efficiency and productivity. An unstable power supply means that manufacturing factories in Myanmar often lose electricity and have had to depend on diesel generators, which generally cost four times more than regular electricity, leading to extra costs being added to their initial expenses.

Indonesia

Although Indonesia has a slightly higher minimum wage than neighbouring countries, it remains a popular choice for international customers, because of the broad variety of fabrics supply in Indonesia. However, the technology and equipment in Indonesia are outdated, which lead to lower labour productivity and Indonesia faces increasing competition from the Greater China region since the PRC joined ASEAN in 2010.

Vietnam

Manufacturers in Vietnam face comparatively lower capital requirements for producing apparel compared with producing machinery and electronics. Although Vietnam's apparel manufacturing industry has grown rapidly in the past few years, benefiting from foreign investors such as South Korea and Taiwan, the country's heavy reliance on imported raw materials such as cotton and yarn has created an imbalance in terms of investment and production, making the apparel manufacturing industry unsustainable. With a shortage of skilled labour, apparel manufacturing in Vietnam has been restricted to basic design styles focusing on woven wear and children's clothing in particular, restricting sourcing opportunities for apparel supply chain management service providers.

COMPETITIVE LANDSCAPE AND COMPETITIVE ADVANTAGES

The apparel supply chain management service provider industry in the Greater China region is highly fragmented, with more than 482 and 516 service providers in 2012 and 2013 respectively. The top 10 apparel supply chain management service providers accounted for about HK$139.9 billion, representing approximately 49.3% of the total market revenue of the apparel supply chain management service industry in 2012.

Competitive advantages

According to the Industry Expert Report, there are mainly five key advantages of our Company's brand compared to our competitors, including (i) a well-established reputation and long-term relationship with our customers — this allows us to have a more stable income and strong brand reputation in relation to which we have received awards from our customers and this increases the possibility of gaining orders from customers; (ii) our experienced management team — the knowledge and experience of our management team enable us to respond quickly to the fast-changing trends in the apparel industry; (iii) our extensive supply network — this covers the Greater China region and Southeast Asian countries, including Bangladesh and Cambodia, which enables us to respond quickly to industry demands and maintain a stable supply of apparel products for our customers, which in turn gives our customers confidence in our strengths and abilities; (iv) our full range service offering — this

means that our customers can rely on us for all their apparel supply chain management service needs; and (v) two of our top ten customers are top US retailers or brands. Together, they accounted for about HK$315.4 billion of retail sales in 2012 in the global market. Having such retailers or brands as part of our customer base, allows us to have a more stable income. Our competitive advantages are not quantifiable.

For more details on our key customers and suppliers, see "Business — Customers" and "Business — Suppliers".

Factors of competition

(i) Long-term relationships with apparel brand owners or retailers and manufacturers

Apparel brand owners or retailers tend to co-operate with apparel supply chain management service providers that they are familiar with, in order to ensure that their quality standards are met. A well-established relationship can ensure a more stable supply of apparel products and reduce lead times through familiarity with how each other works, e.g. when orders are placed, capacity bookings.

(ii) Full service capabilities

Apparel supply chain management service providers who can offer a full range of services are likely to stand out from their competitors, as apparel brand owners and retailers are increasingly looking for full service capabilities. Full-service capabilities could include product design and development, fashion trend monitoring, sample production, raw materials sourcing, managing and allocating production to third-party manufacturers, quality control, logistics management, etc.

(iii) Certifications and standards

International and regional certifications can be representative of the quality of services and products offered by apparel supply chain management service providers. Apparel manufacturers are more likely to co-operate with apparel supply chain management service providers who can provide qualified services and products.

Barriers of entry for apparel supply chain service providers in the Greater China region

(i) Increasing dependence on long-term relationship

Since the removal of the quota system for textiles and apparel products in January 2005, there has been an increasing reliance on building long-term relationships between apparel supply chain management service providers and manufacturers. Under the quota system, many trades were carried out under short-term relationships whereas, apparel supply chain management service providers now restructure their network of suppliers with the aim of building long-term strategic partnerships with their key suppliers.

(ii) Full supply chain capability

With the growing retailer demand for fast changing fashion, apparel supply chain management service providers are required to demonstrate full service capabilities which new entrants may struggle to adapt to, or may not have the resources to offer. Significant time and resources are required to build a reputable status in such a competitive and fast moving industry.

(iii) Reliability

New entrants may struggle to build their customer base as apparel brand owners and retailers tend to return to apparel supply chain management service providers which they have engaged

previously and which they see as reliable. Without the opportunity to build their own reputations of reliability, new entrants may struggle to capture new customers, or maintain any which they already have.

Opportunities and threats for apparel supply chain management service providers in the Greater China region

Opportunities

i. It is anticipated that there will be more and more apparel retailers looking to source raw materials from new suppliers globally. Unfamiliarity with certain geographical locations could lead to more market opportunities for supply chain management service providers who already have an established network with local suppliers and manufacturers.

ii. The 12th Five-Year plan of the PRC is an opportunity to enhance the competitiveness of PRC's apparel industry supply chain, through a focus on improving the quality standard system, credit system and evaluation of the market's efficiency.

iii. There is an increasing acceptance by US consumers for apparel that is manufactured in Southeast Asia. Whilst the Greater China region retained its leading position in the US's top 5 apparel import countries in terms of actual volume, Vietnam, Bangladesh and Indonesia account for number 2 to number 4 respectively. The position of the Southeast Asian countries is largely attributed to the ability to offer manufacturing at lower cost, primarily due to lower wages compared with the Greater China region.

Threats

i. The apparel supply chain management service industry in the PRC has been established for a number of years and the overall processes and personnel are becoming more mature. It is harder for apparel supply chain management service providers to differentiate themselves from their competitors unless they have already developed a positive reputation for delivering effective services.

ii. Despite the increasing acceptance of apparel manufactured in Southeast Asia, there is an increasing trend for US domestic designers and retailers to move part of their production back to the US. This is mostly due to the rapid increase in labour wages, safety issues and scheduling problems in Asian factories. Further, 75.0% of local American consumers have shown willingness to pay for apparel which is made in the US, presenting another incentive for US domestic designers and retailers to reshore production to the US.

iii. With the improving conditions in safety and labour relations in apparel manufacturing factories in Mexico, there is an expectation for an increase in demand for import of apparel products from Mexico to the US.

iv. Currency fluctuations could affect demand for apparel supply chain management services. An appreciation of the currency in countries where our Company engages third-party manufacturers increases labour costs and cost of raw materials. A depreciation in the currency in countries where our customers are based reduces the demand for apparel products, as the price of the apparel products increase. As a result, currency fluctuations may mean that there would likely be less demand from retailers to engage apparel supply chain management service providers.

v. Apparel supply chain management service providers who do not comply with the various security and custom inspections in the countries of origin, transshipment or destination of the apparel products may be subject to duties, fines or seizure of apparel products.

vi. Apparel brand owners and retailers including specialty stores, discount stores, specialty retailers and department stores may elect to source products and services through online platforms such as business-to-business commerce platforms or engage vertically integrated manufacturers with design and other capabilities. Further, the customers of these apparel brand owners and retailers may also elect to have online shopping. This may mean that the demand for the services of apparel supply chain service provider may decrease.

REGULATORY REQUIREMENTS IN HONG KONG

We have business operations in Hong Kong and outside Hong Kong. However, there are no material licences or government approvals required for the conduct of our operations in Hong Kong beyond those which would be applicable to Hong Kong companies in general.

REGULATORY REQUIREMENTS IN THE PRC

The following is a summary of the PRC laws and regulations relating to our business operations of our Group within the territory of the PRC:

Laws and regulations relating to foreign investment industry

Any investments conducted by foreign investors in the PRC shall be subject to the Catalogue for the Guidance of Foreign Investment Industries《外商投資產業指導目錄》(the "**Guidance Catalogue**"), the latest version of which was promulgated by the Ministry of Commerce and the National Development and Reform Commission on 24 December 2011 and came into effect on 30 January 2012. The Guidance Catalogue was divided into "the Encouraged Foreign Investment Industries", "the Restricted Foreign Investment Industries" and "the Prohibited Foreign Investment Industries". Industries which are not listed in the Guidance Catalogue shall be classified as "the Permitted Foreign Investment Industries", and apparel production is classified as a project where foreign investment is permitted.

The incorporation, operation and management of a company in the PRC shall be subject to the Company Law of the PRC《中華人民共和國公司法》(the "**Company Law**") which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on 29 December 1993, became effective on 1 July 1994. It was amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013, respectively. A foreign invested company is subject to the Company Law, unless otherwise specified by the foreign investment laws, such as the Wholly Foreign Owned Enterprises Law of the PRC《中華人民共和國外資企業法》. The Wholly Foreign Owned Enterprises Law of the PRC was promulgated by the SCNPC on 12 April 1986 and amended on 31 October 2000. The Implementation Rules of the PRC Laws on Wholly Foreign Owned Enterprises《中華人民共和國外資企業法實施細則》was promulgated by the State Council on 12 December 1990 and revised on 12 April 2001 and 19 February 2014, respectively.

In accordance with the Measures for the Administration on Foreign Investment in Commercial Fields《外商投資商業領域管理辦法》promulgated on 16 April 2004 and implemented on 1 June 2004 by the Ministry of Commerce, "foreign-invested commercial enterprises" shall refer to the enterprises with foreign investment which undertake the business activities of either commission agency, wholesale, retail or franchising. The establishment of a foreign-invested commercial enterprise must be approved by the competent commerce authorities. According to Guidance Notes on the Assessment of Foreign-invested Commercial Projects in the Guangdong Province《廣東省外商投資商業項目審核指引》jointly published by the Economic & Information Commission of Guangdong Province and the Department of Foreign Trade and Economic Cooperation of Guangdong Province on 27 July 2009, the establishment of new foreign-invested commercial enterprises, geographic expansion of distribution by established foreign invested commercial enterprises and further investment of foreign-invested enterprises regarding the establishment of a commercial enterprise to engage in the businesses of wholesale in general commodities, commission agency (other than auction), imports and exports are all subject to review by the competent commerce departments at city level.

Laws and regulations relating to product liability

According to the Product Quality Law of the PRC《中華人民共和國產品質量法》(the "**Product Quality Law**") promulgated on 22 February 1993 and amended by the Standing Committee of the

National People's Congress on 27 August 2009, product liability claims may be brought against either the manufacturer or the seller of the defective products. The Product Quality Law applies to all production activities and sale of any product within the territory of the PRC, and producers and sellers would be held liable for any damage caused by defective products in accordance with the Product Quality Law.

The PRC Tort Law《中華人民共和國侵權責任法》(the "**Tort Law**") was adopted by the SCNPC on 26 December 2009 and became effective on 1 July 2010. The Tort Law stipulates tort liabilities relating to, among other things, products, motor vehicle traffic accidents, medical treatment, environmental pollution and high risk operations. Under the Tort Law, where any harm is caused by a defective product, the victim may require compensation from the manufacturer of the product or the seller of the product. If the defect of the product is caused by the manufacturer and the seller has paid compensation for the defect, the seller shall be entitled to be reimbursed by the manufacturer. If the defect of the product is caused by the fault of the seller, and the manufacturer has paid compensation for the defect, the manufacturer shall be entitled to be reimbursed by the seller.

Laws and regulations relating to labour and social insurance

In accordance with the Labour Contract Law of the PRC《中華人民共和國勞動合同法》(the "**Labour Contract Law**") effective from 1 January 2008 and amended on 28 December 2012 and the Implementations Regulations of the PRC Labour Contract Law《中華人民共和國勞動合同法實施條例》, a labour contract shall be concluded when a labour relationship is to be established between the employer and the employees. When hiring the employees, the employer shall faithfully notify them of the job contents, conditions, place of work, occupational hazards, work safety status, remuneration and other information as requested by the employees. The employer and employees shall fully perform their respective obligations in accordance with the provisions stipulated in the labour contracts. The employer shall pay the employees the full amount of remunerations in a timely manner in accordance with the contractual stipulations and the provisions. The employer shall strictly adhere to the specific work quotas and may not compel any employee to work overtime. Upon revocation or termination of a labour contract, the employer shall provide for the employees sufficient proof in support of such revocation or termination and complete the filing formalities and the transfer of the employees' social insurance within 15 days thereafter.

In accordance with the Social Insurance Law of the PRC《中華人民共和國社會保險法》(the "**Social Insurance Law**") effective from 1 July 2011, the state has established a social insurance system that covers pension, medical, occupational injury, unemployment and maternity. Under this system, employees shall participate in insurance packages such as pension, medical and unemployment, for which the premium shall be paid by both the employer and the employees. Employees shall also participate in the occupational injury and maternity insurance schemes, for which contribution is the sole responsibility of the employer units under the relevant laws.

In accordance with the Regulations on the Administration of Housing Fund《住房公積金管理條例》effective from 3 April 1999 and amended on 24 March 2002, enterprises in the PRC shall complete the registration of housing fund with the competent housing fund management centre and open the housing fund accounts for the employees with designated banks and contribute to the housing fund for their employees at the rate of not less than 5.0% of the employees' average monthly wages for the preceding year.

Laws relating to environmental protection

Pursuant to the Environmental Protection Law of the PRC《中華人民共和國環境保護法》promulgated and effective on 26 December 1989, the environmental protection department of the State Council is in charge of promulgating national standards for environmental protection. The provincial governments and the local governments in autonomous regions and municipalities may also

promulgate local standards for environmental protection on matters not specified in national standards and the local governments must report such standards to the competent department of environmental protection administration under the State Council for record.

Pursuant to the Law on Environmental Impact Evaluations of the PRC《中華人民共和國環境影響評價法》promulgated on 28 October 2002 and effective on 1 September 2003, a construction unit shall, in accordance with the following provisions, make arrangements for preparing a written report on the environmental effects or a statement on such effects or filling out a registration form of environmental effects:

(1) where considerable effects may be exerted on the environment, preparing a written report on environmental effects in which a comprehensive evaluation of the effects on the environment shall be made;

(2) where mild effects may be exerted on the environment, preparing a statement on the effects, in which an analysis or special evaluation of the effects shall be made; or

(3) where the effects on the environment are very little and therefore it is not necessary to make an evaluation of them, filling out a registration form of environmental effects.

Major applicable taxes

(i) Enterprise income tax

According to the PRC Enterprise Income Tax Law《中華人民共和國企業所得税法》(the "**EIT Law**") effective from 1 January 2008 onwards, the income tax rate of 25.0% shall be applied towards all enterprises including foreign-invested enterprises.

For non-resident enterprises without any organisations or establishments within the PRC, or with organizations or establishments within the PRC but whose income is not actually related to such organizations or establishments, they shall pay enterprise income tax on their income derived from within the PRC at the applicable tax rate of 20.0%. However, in accordance with the Implementation Regulations of Enterprise Income Tax Law of the PRC《中華人民共和國企業所得税法實施條例》effective from 1 January 2008, income earned by non-resident enterprises are subject to a reduced enterprise income tax rate of 10.0%.

In accordance with the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Income《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》effective from 1 January 2007, if a Hong Kong enterprise as the beneficial owner owns at least 25.0% of the capital of a PRC enterprise, the dividends paid by the PRC enterprise to the Hong Kong enterprise are subject to a withholding tax of no more than 5.0%. In accordance with the Notice on Issues Relevant to the Implementation of Dividend Provisions in Tax Treaties《關於執行税收協定股息條款有關問題的通知》issued by the State Administration of Taxation on 20 February 2009, to enjoy the benefits offered by tax treaties, the proportion of interest in the PRC resident enterprise directly owned by the tax resident at any time during the 12-month period prior to the receipt of dividends shall remain compliant with that provided in the tax treaties.

(ii) Business tax

Pursuant to the Interim Regulations on Business Tax of PRC《中華人民共和國營業税暫行條例》, which was enacted by the State Council on 13 December 1993 and amended on 5 November 2008 and its Detailed Implementation Rules on the Interim Regulations on Business Tax of PRC《中華人民共和國營業税暫行條例實施細則》issued by the Ministry of Finance and State Administration of

Taxation on 18 December 2008 and amended on 28 October 2011, all enterprises and individuals engaged in the provision of services, sales of intangible assets and immovable properties within the PRC shall be taxpayers of business tax (the "**BT**") and shall pay BT.

(iii) Value-added tax

Pursuant to the Interim Regulations on Value-Added Tax of PRC《中華人民共和國增值税暫行條例》, which was enacted by the State Council on 13 December 1993 and amended on 5 November 2008 and its Detailed Implementation Rules on the Interim Regulations on Value-Added Tax of PRC《中華人民共和國增值税暫行條例實施細則》issued by the Ministry of Finance and State Administration of Taxation on 18 December 2008 and amended on 28 October 2011, all enterprises and individuals engaged in the sales of goods, provision of processing, repairing and replacement services and the importation of goods within the PRC shall be taxpayers of value-added tax (the "**VAT**") and shall pay VAT.

Pursuant to Circular Caishui [2012] No.71《財政部國家税務總局關於在北京等8省市開展交通運輸業和部分現代服務業營業税改徵增值税試點的通知》issued by the Ministry of Finance and State Administration of Taxation on 31 July 2012, effective 1 November 2012, enterprises in Guangdong Province (including Shenzhen) engaging in the provision of certain modern services that are previously subject to BT, would be subject to VAT.

Laws relating to foreign exchange controls

The Regulations on Foreign Exchange Control of PRC《中華人民共和國外匯管理條例》(the "**Foreign Exchange Regulation**") promulgated on 29 January 1996 and amended on 14 January 1997 and 1 August 2008, contains detailed provisions in relation to foreign exchange control. According to the Foreign Exchange Regulation, the retaining or selling of foreign exchange earnings obtained from capital accounts shall be subject to the approval of the foreign exchange authorities. Enterprises within the PRC which need foreign exchange for their ordinary trading and non-trading activities, import activities and repayment of foreign debts may purchase foreign exchange from designated banks if the application is supported by the relevant documents. Furthermore, foreign invested enterprises may distribute profit to their foreign investors with funds in their foreign exchange bank accounts kept with designated banks.

According to the Notice of the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》 issued by SAFE on 29 August 2008, a foreign-invested enterprise must designate a competent accounting firm to verify the capital fund prior to application for the settlement of the foreign currency capital. The settled foreign currency capital must be used only for the type of business approved by the related authorities and must not be used for equity investment except as otherwise provided. It is also prohibited to use the settled foreign currency capital for purchasing domestic real estate not for self-use, except if the foreign-invested enterprise is incorporated for real estate business.

REGULATORY REQUIREMENTS IN MACAO

Macao's offshore services institutions

Pursuant to the Regulation on Conduct of Offshore Business in Macao (Decree-Law no. 58/99/M), companies are required to obtain permission from the Macao Trade and Investment Promotion Institute ("**IPIM**") in order to carry out offshore commercial activities.

The permit is issued by IPIM on the premise that there is no indication of attempts to conceal illegal acts or any non-disclosure of facts that would indicate illegal acquisition or holding of assets or goods through offshore activities.

Offshore commercial service institutions shall deliver to IPIM the financial reports and accounts for every financial period, together with the relevant audit reports. An operating fee is required to be paid on a semi-annual basis (i.e. in January and July).

Tax Exemption

Pursuant to the Regulation on Conduct of Offshore Business in Macao (item 1, Article 12 of Decree-Law no. 58/99/M), offshore business institutions are exempted from income tax, stamp duties in relation to offshore business and industrial tax.

The regime governing offshore commercial services in Macao is established in accordance with the following laws:

- Decree-Law no. 58/99/M (which defines the general regime governing offshore activity)
- Commercial Code of Macao;
- Law no. 2/2006 (Prevention and Suppression of the Crime of Money Laundering);
- Law no. 3/2006 (Prevention and Suppression of the Crimes of Terrorism);
- Administrative Regulation no. 7/2006 (Preventative Measures for the Crimes of Money Laundering and Financing of Terrorism); Decree-Law no. 58/99/M is a general regime that defines offshore business. Article 63 and 64 under the same law requires offshore commercial service institutions formed as a company should be established and existed with the minimum capital as required by the Commercial Code. The name for offshore commercial service institutions to carry on business must contain "Comercial off shore de Macau" (澳門離岸商業服務) and must be stated on all documents and letters and displayed within the premises of the institutes. Hanbo Enterprises Limited (恆寶企業有限公司) — Comercial off shore de Macau was established and existed under the Commercial Code of Macao;
- Pursuant to Article 61 under the Commercial Code of Macao, commercial registration aims to disclose the legal status of the commercial entrepreneur and the enterprise so as to protect the security of transactions that are under protection of the law. All relevant commercial registrations are carried out at Conservatoria Dos Registos Comercial e de Bens Moveis. Hanbo Enterprises Limited — Comercial off shore de Macau had made registration with Conservatoria Dos Registos Comercial e de Bens Moveis according to relevant requirements;
- Regarding the registration fee for establishment, the enterprise shall pay stamp duty in addition to the registration fee. Pursuant to Decree-Law no. 58/99/M, the Regulation on Conduct of Offshore Business in Macao, offshore institutes are exempted from stamp duty upon establishment;
- Law no. 2/2006 defines the measures for the prevention and suppression of the crime of money laundering. Article 5 under the same law sets out relevant requirements for criminal liability of legal person (enterprise) that enterprise as a legal person or representative who under the name and for the benefit of such entities engages in money laundering; or person who is under control of such body or representative under the name and for the benefit of such body or representative engages in money laundering, which may be materialised due to intentional violation against the regulatory or controlling liability by such body or representative, shall bear criminal liability for such money laundering behaviour;

- Law no. 3/2006 is a standardisation of the prevention and suppression of the crimes of terrorism. Article 10 under the same law sets out relevant requirements for criminal liability of legal person that body as a legal person or representative who under the name and for the benefit of such entities engages in terrorist organisations, terrorism, financing of terrorism or incitation of terrorism; or person who is under control of such body or representative under the name and for the benefit of such entities engages in the abovementioned activities, which may be materialised due to intentional violation against the regulatory or controlling liability by such body or representative, shall bear criminal liability for such terrorist organisations, terrorism, financing of terrorism or incitation of terrorism;

- Administrative Regulation no. 7/2006 defines the premise and content of the liability of the prevention for the crimes of money laundering and financing of terrorism and the regulatory system for performance of such liability and the punishment system for non-performance.

The revenue of Hanbo Enterprises Macao was eligible for tax exemption in Macao, principally because of the following factors:

- Hanbo Enterprises Macao is a limited liability company incorporated in Macao and has obtained an offshore operating license from IPIM. Under Decree-Law no. 58/99/M, a Macao company incorporated under that law and duly authorised to operate as an offshore institution is exempted from the Macao complementary tax when income is generated through the engagement in offshore business that (i) uses only non-Macao currency in their activities; (ii) targets only overseas residents as customers; and (iii) focuses only on non-Macao markets; and

- the customers and suppliers of Hanbo Enterprises Macao are located outside of Macao and Hanbo Enterprises Macao only used non-Macao currency in their business activities. On the basis that Hanbo Enterprises Macao only carries out its activities within the offshore business scope as approved by the IPIM, Hanbo Enterprises Macao should enjoy the tax exemption benefits granted by the IPIM.

Our Directors, having made reasonable enquiries, consider that Hanbo Enterprises Macao, being a duly approved Macao offshore institution and operated within the offshore business scope, should be exempted from Macao complementary tax.

Labour, Health and Safety

Pursuant to the Regulation on Conduct of Offshore Business in Macao (Article 11 of Decree-Law no. 58/99/M), employees working for offshore institutions and their employers are subject to the social security regime in accordance with the legislation in force in the territory.

Employers have the obligation to contribute to the social security regime commencing from the month when the employee contract becomes effective and ending in the month following the month when the contract is terminated. The social security regime covers the following payments: retirement pension, allowances for disability, unemployment, illness, births, marriages and funerals. It may also cover other social security measures under specific subsidy plans approved by the Chief Executive of Macao.

The legal system for the employment of local and non-resident employees in Macao is established in accordance with the following laws:

- Law no. 7/2008 (Labour Relations Law);

- Decree-Law no. 40/95/M (defines the system applicable to compensation for loss arising from occupational accidents and occupational diseases);

- Decree-Law no. 37/89/M (General regulation on occupational safety and hygiene in commercial, office, and labour service establishments);
- Decree-Law no. 13/91/M (Sanctions for the incompliance of general regulation on occupational safety and hygiene in commercial, office, and labour service establishments);
- Law no. 4/2010 (Social Security System);
- Order of Chief Executive no. 47/2013 (Adjustment to monthly amounts of retirement pension, disability allowances and welfare subsidies);
- Order of Chief Executive no. 373/2010 (Contribution amounts and respective contribution proportions by employees and employers); Administrative Regulation no. 13/2010 (Regulation of the conditions or responsibilities to be established in the employment permit for non-resident workers);
- Law no. 21/2009 (Law for the employment of non-resident workers);
- Administrative Regulation no. 8/2010 (Regulation of the Law for the employment of non-resident workers);
- Administrative Regulation no. 17/2004 (Regulation on Prohibition of Illegal Work);
- Law no. 7/2008 "Labour Relations Law" is a general regime that defines labour relations. In Macao, an employer has the right to set out rules to be obeyed by employees within the working environment as required by relevant regulations and formulates a set of company rules that states clearly the working arrangement and discipline, and the implementation thereof shall not result in working conditions inferior to that as required by such law. Article 33 under the same law requires normal working hours for employees of not more than 8 hours per day and 48 hours per week, and the employees are entitled to a consecutive 24-hour day-off per week with payment. Employees who worked for a full year are entitled to paid annual leave of not less than 6 working days in the coming year. Where an employer violates against the law due to non-performance of the obligation as required by Law no. 7/2008, he / she may still has to fulfil such obligation in addition to a punishment and a fine or penalty;
- Decree-Law no. 40/95/M defines the system applicable to compensation for loss arising from occupational accidents and occupational diseases. It is applicable to all employees of any industry who are entitled to compensation for loss arising from occupational accidents and occupational diseases as provided by such law. Where occupational accidents occur outside the territory, employees who are employed and work for an employer who legally engages in business in Macao shall be entitled to compensation as stipulated by such law except for compensation granted to such employee and his / her family under the law of the place to where the accidents occur. Where the compensation granted under the law of the place to where the accidents occur is inferior to that as required by such law, the employer shall afford the difference therewith. Hanbo Enterprises Limited — Comercial off shore de Macau made contribution to insurance policy on occupational accidents and occupational diseases for his / her employees. Pursuant to Article 62 under Decree-Law no. 40/95/M, an employer shall assigns to an insurance company that provides insurance services for occupational accidents in Macao such compensation liability as required by such decree-law. The compensation for Pneumoconiosis (ie. Black Lung), an occupational respiratory disease, as stated on the list of occupational diseases attached to such law is a kind of liability for society security fund;
- Decree-Law no. 37/89/M ensures a working environment under good hygiene and safety conditions and all commercial, office, and labour services shall be carried out under a good working environment;

- Decree-Law no. 13/91/M defines the sanctions for the incompliance of general regulation on occupational safety and hygiene in commercial, office, and labour service establishments. An employer who is incompliance with the rules set out in the general regulation on occupational safety and hygiene in commercial, office, and labour service establishments approved under the said Decree-Law no. 37/89/M shall be subject to punishment;

- Law no. 4/2010 defines social security system and aims at providing basic society security, especially retirement pension, for Macao residents, in order to improve living standard. All employers who maintain employment relationships shall make registration with society security fund and make contribution therefore. The beneficiary (i.e. employee) and the employer are obliged to make contribution to society security fund. Society security system covers allowances for disability, unemployment, births, marriages and funerals. The system also includes other society security measures set out in the specific subsidy plan approved by the chief executive. Hanbo Enterprises Limited — Comercial off shore de Macau performed such compulsory liability within the general regime of the above society security and made contribution for its employees;

- Administrative Regulation no. 47/2013 amends the amounts for retirement pension and disability allowances to MOP3,000 and MOP3,000 respectively (refers to in Law no. 4/2010) and amount for welfare subsidies to MOP1,965;

- Order of Chief Executive no. 373/2010 defines the monthly contribution to be MOP45 per month as required by Law no. 4/2010. The respective contribution proportions by the beneficiary (i.e. employee) and the employer shall be 1:2;

- Administrative Regulation no. 13/2010 is a standardisation of conditions or burdens that included in the permit for the employment of non-resident workers, which includes, among other things, regular body check for employees, designated working locations, compliance with the minimum number of resident workers hired, acceptance for reassessment on the allowed number of non-resident workers and other conditions and burdens as the approval authority may consider reasonable and appropriate.

Pursuant to the provisions in Law no. 21/2009 (Law for the employment of non-resident workers), before hiring a non-resident worker to work in Macao, permission shall be obtained by the employer in advance by submitting an application to the Human Resources Office of Macao. Once approved, the non-resident worker being employed shall apply for an "Authorisation to Stay for Non-resident Workers" and a "Non-resident Worker's Identification Card" from the Public Security Police Force of Macao before commencing work in Macao. Item 1 of Article 5 of the Law provides that the following persons are authorised to hire non-resident workers: (1) Macao residents; (2) legal persons with their head-office or an establishment in the Macao; (3) non-residents with a commercial or industrial establishment in the Macao

Administrative Regulation no. 8/2010 is a standardization of the grant of the permit for employment of non-resident workers, the grant of stay permit, payment of employment fee and the use of received employment fee. Application for employment permit shall state clearly the proposed salary and other major labour conditions for non-resident workers by the employer. Non-resident workers are qualified to provide services within Macao after being granted "Authorisation to Stay for Non-resident Workers" that remains in force at such time when the services provided. The employer shall pay the employment fee for the previous quarter in January, April, July and October with the payment slip which form approved under the society security fund. The received employment fee shall be considered as income for society security fund.

Pursuant to the Regulation on Prohibition of Illegal Work (Article 4 of Administrative Regulation no. 17/2004), under exceptional cases, where a non-resident of Macao agrees with a natural person or

legal person whose residence is located within Macao to specifically or occasionally carry out works or provide services, especially for the provision of consultative, technical, quality controlling or auditing services by a non-resident worker of Macao, he / she may work or provide services continuously or intermittently for no more than 45 days during the six months stay in Macao. The above-said six-month period commences on the day when such non-resident is permitted to legally enter the territory of Macao, and records on the actual dates on which such person provides services shall be maintained.

Whenever the Labour Affairs Bureau ("**DSAL**"), the Public Security Police Force, or the Customs Service consider that an activity carried out by a non-resident does not comply with the above situation, they shall immediately notify the natural person or legal person of Macao to whom such non-resident of Macao provides services, and such natural person or legal person shall terminate the activities of such non-resident immediately after being notified.

The natural person or legal person of Macao who violates the limitations and conditions as stipulated in Article 4 of the Regulation on Prohibition of Illegal Work shall be subject to a penalty of $20,000.00 MOP to $50,000.00 MOP for each involved employee and shall be held liable for criminal charges.

REGULATORY REQUIREMENTS IN CAMBODIA

Laws and regulations relating to foreign investment

(i) Foreign investment

Any business activity conducted in Cambodia is subject to the Law on Commercial Rules and Registry enacted on 3 May 1995, as amended on 18 November 1999, and the Law on Commercial Enterprises promulgated on 19 June 2005, which regulate the establishment, operation and management of a company or business conducted in Cambodia.

In addition to the general legal framework, any investment in Cambodia is subject to the Law on Investment of Cambodia enacted on 4 August 1994, as amended on 24 March 2003, and the implementing Sub-Decree No. 111 of the Amendment to the Law on Investment of Cambodia enacted on 27 September 2005. All business activities in Cambodia are permitted, subject to the prohibitions set out in the "Negative List" of the Sub-Decree No. 111. As provided in the Negative List, some forms of investment are restricted for reasons of national security, social safety or to protect the national economy. Other forms are allowed but ineligible for any government incentive scheme.

Garment production is not listed in the Negative List and, as a result, it is not prohibited or restricted in Cambodia. Despite the foregoing, amongst other prohibited business activities, any production using poisonous chemicals, agricultural pesticides or insecticides and other goods using chemical substances prohibited by the international legal instruments or the World Health Organisation that affect public health and the environment are also prohibited.

Investment companies in Cambodia refer to large scale investments, which are entitled to government incentives. Investment companies are regulated by the Council for the Development of Cambodia, which is the executive government institution led by the Prime Minister of Cambodia and are subject to the Law on Investment of Cambodia, the Sub-Decree No. 88 on Implementation of the Law on Investment enacted on 29 December 1997 and its subsequent amendments enacted on 11 June 1999 and 26 December 2001. Garment and textile production with a total investment capital of over USD 500,000 is qualified to be registered as a qualified investment project and is eligible for various government incentives.

(ii) Government incentive scheme

Pursuant to the Law on the Amendment of the Investment Law enacted on 3 February 2003, any investment, either domestic or foreign, is eligible for the following incentives:

1. exemption from the tax on profit for a certain period;

2. special depreciation on equipment;

3. exemption from duties on the import of production equipment and construction materials for a domestic qualified investment project; and

4. exemption from duties on the import of production equipment, construction materials, raw materials, intermediate goods and production input for an export qualified investment project or a qualified investment project that supports the export industry.

(iii) Foreign relations in Cambodia

Cambodia has established diplomatic relations with most countries, including China and the United States where our businesses are conducted. Cambodia is also a member of the United Nations and became a member of the Association of Southeast Asian Nations in 1999. In addition, Cambodia is a member of the World Bank, the International Monetary Fund and the Asian Development Bank. On 13 October 2004, Cambodia became the 148th member of the World Trade Organisation. As a consequence, a number of international legal instruments and mechanisms aimed at promoting international trade with Cambodia were put in place. A significant development was the adoption of the Everything But Arms trading scheme by the European Union, granting Cambodia duty-free and quota-free export to the European Union for all goods, except arms and ammunition. The Everything But Arms scheme also relaxed the rules of origin for products imported under the Generalised System of Preferences, effective from 1 January 2011. These relaxed rules of origin allow Cambodia to claim origin for its products, even if the primary materials do not originate in Cambodia.

(iv) Regulatory entities in Cambodia

The main relevant governmental authorities responsible for supervising and regulating our business activities in Cambodia are the Ministry of Commerce and the Ministry of Economic and Finance. The Ministry of Commerce and, in particular, the Legal Affairs Department of the Ministry of Commerce, is responsible for regulating the establishment and ongoing registration of new companies in Cambodia. The Ministry of Economic and Finance is the responsible governmental authority which oversees the state's properties and has authority to collect tax and non-tax revenue and regulate the import and export sectors.

Laws and regulations relating to product liability

There is no law or regulation in Cambodia specifically governing the protection of consumers. However, the concept of product liability exists in Cambodia and is governed by the Civil Code. According to the Civil Code, a product liability claim can be brought against the manufacturer of defective products (whether or not it is caused by defective raw materials), or against the importer or seller, who are deemed to be the manufacturer for this purpose.

Furthermore, Cambodia recognizes the concept of a tortious act, which is also governed by the Civil Code. Under the Civil Code, a person who, in violation of the law, intentionally or negligently infringes the rights or benefits of another is liable to pay damages to the injured party. Liability for torts is also extended to employers (for tortious acts committed by employees), legal persons (for tortious acts committed by their representatives) and persons having ownership or control over dangerous products, including poisonous chemical substances.

Laws and regulations relating to labour

Labour relations in Cambodia are governed by the Labour Law passed on 10 January 1997 and individual employment contracts and/or collective bargaining agreements. The terms of employment contracts must be at least as favourable to employees as the terms provided in the Labour Law. Employment contracts may have a specified duration of up to two years or an unspecified duration. Prior to their commencing operations, the Labour Law requires companies to submit written declarations of enterprise and of their employees to the Ministry of Labour and Vocational Training, including, an enterprise opening declaration form, personnel declaration and payroll ledger forms, an application for quota for hiring of non-Cambodian employees and an application for approval of the employee handbook. After the submission of the personnel declaration and payroll ledger forms, a company obtains a work book, being a document that identifies its holder and details of employment. Non-Cambodian citizens are also required to obtain a work permit once the company has obtained quota approval for the hiring of non-Cambodian citizens. A company must submit a subsequent declaration to the Ministry of Labour and Vocational Training each time it hires or dismisses an employee. Such declaration is not required for short-term employment of less than 30 continuous days or intermittent employment for less than three months within a 12 month period.

The Cambodian legal system also recognises the difference between a consultant, who is not subject to the Labour Law, and an employee contracted by an employment contract. The contractual relationship of consultants and service providers is governed by the Civil Code and individual contracts.

The Labour Law requires a company with more than eight employees to have an employee handbook that details employment policies, including those on wages, holidays and safety and sanitation measures. A company must also maintain a payroll ledger that records the work done, wages paid, holidays granted and certain other information regarding each employee. The payroll ledger must be approved by a labour inspector, who may make additional comments on both the payroll ledger and the business registry during periodic inspections.

The Labour Law empowers the Ministry of Labour and Vocational Training to set a minimum wage for all industry sectors in Cambodia. The first minimum wage regulation was introduced by the Ministry of Labour and Vocational Training by way of a notice in 1997 but is limited to the textile, garment and footwear industries. It has since been subject to bargaining between representatives of employers and employees in the textile, garment and footwear industries. At the Latest Practicable Date, the minimum wage for the textile, garment and footwear industries was set at USD100 per month, although such rate is subject to ongoing negotiation.

Laws and regulations relating to health and safety measures

The Ministry of Labour and Vocational Training prescribes certain standards for health and safety. Generally, a company must provide a sanitary environment and a company with at least 50 employees must maintain a permanent infirmary on its premises. Furthermore, the Ministry of Labour and Vocational Training and other relevant ministries prescribe certain safety requirements, including those governing the lifting of heavy objects, the protection from machinery and equipment and preventative measures in relation to toxic substances and flammable materials.

Laws and regulations relating to taxation

Operation of any foreign entities through operating subsidiaries and joint ventures organised under Cambodian law are subject to Cambodian tax laws and regulations, which indirectly affect the investment in the Cambodian subsidiary's shares.

Companies are generally subject to an annual business registration tax, called the patent tax, profit tax (at the rate of 20.0% or a minimum tax of 1.0% of total annual revenues whichever one is higher) and VAT charges (at the rate of up to 10.0%), as well as salary tax for employees (at the progressive rate of between 0.0% to 20.0%) and rental withholding tax (at a rate of 10.0%) and management, technical and similar services and royalties (at the rate of 14.0% to 15.0% depending on the residency condition).

Cambodia imposes a withholding tax of 14.0% on dividends paid to non-resident shareholders. Dividends distributed by a Cambodian corporate entity or individual Cambodian person to another Cambodian corporate entity are not subject to tax in the hands of the recipient when distributed dividend is calculated from the profit after tax. However, if the dividends distributed are sourced from profits earned during the period when the company distributing the dividends enjoyed exemption from profits tax under an incentive scheme, the distribution will be subject to a 20.0% dividends tax.

Laws and regulations relating to insurance and pension scheme

There is no compulsory insurance for companies conducting business in Cambodia, except for companies operating in the transportation sector or carrying out construction activities, which are both subject to the Insurance Law, enacted on 25 July 2000.

Furthermore, it is not mandatory for a company to insure its workers or for workers to insure themselves in order to be employed. However, under the Labour Law, employers can be liable for work-related accidents.

While there is no compulsory insurance for workers, there is a social security scheme for employees working in the private sector in Cambodia. Based on the Law on Social Security Schemes for Persons defined by the Provisions of the Labour Law, enacted on 25 September 2002, workers should be covered by a pension scheme and occupational risk scheme. However, in accordance with the Prakas on Determination of Implementing Phase and Scope of Implementation of Occupational Risk Scheme, enacted on 16 June 2008, only occupational risk insurance is implemented, effective from 2008.

Laws and regulations relating to intellectual property

In order to comply with World Trade Organisation obligations, Cambodia has enacted laws and regulations on intellectual property rights. The Law on Trademark, Trade Name, and Unfair Competition was enacted on 7 February 2002 and supplemented by a Sub-Decree enacted on 12 July 2006. All industrial properties in Cambodia are protected by the Law on Patent, Utility Models and Industrial Designs, enacted on 22 January 2003, with its implementation text adopted on 29 June 2006. Copyrights and related rights are subject to separate legislation, which was enacted on 5 March 2003. A company that wishes to protect its intellectual property rights is required to register its marks at the Ministry of Commerce and its patents as well as other industrial properties (such as industrial designs) at the Ministry of Industry and Handicraft.

Laws and regulations relating to import and export approvals

In general, both Cambodian and foreign companies are permitted to freely import and export goods. In most cases, no licence is required to import goods into Cambodia. Similarly, no export licence or permission is required for the export of goods out of Cambodia to other countries, except for imports or exports which are subject to prohibition. A list of prohibited imports or exports is provided in Sub-Decree No. 209 on the Enforcement of the List of Prohibited and Restricted Goods dated 31 December 2007. Pursuant to this Sub-Decree, exports are prohibited or restricted, as the case may be, for the following reasons:

1. protection of national security;

2. protection of public order and standards of decency and morality;

3. protection of human, animal or plant life or health;

4. protection of natural treasures of artistic, historic or archaeological value;

5. conservation of national resources;

6. compliance with the prevailing laws of Cambodia; and

7. fulfillment of obligations under the United Nations Charter.

Other items, such as live animals, timber, cultural and artistic property, precious metals and stones, are prohibited from export and import or need special export authorisation or a licence from the relevant authority. Importation of raw material or exportation of textile can, therefore, be done freely on the condition that the relevant documentation is completed.

Laws and regulations relating to land ownership

(i) Ownership

Under the laws of Cambodia, only Cambodian citizens or Cambodian entities are allowed to own land in Cambodia. Cambodian entities are defined as having 51.0% or more of the voting shares held by Cambodian citizens or Cambodian entities and a place of business and a registered office in Cambodia. Both direct and majority ownership of land in Cambodia by foreigners is illegal.

(ii) Leasehold

Leases may be short-term or perpetual (long-term leases). A long-term lease is defined as one that has a duration of 15 years or more and constitutes a right *in rem* over immovable property, and such right may be assigned for valuable consideration or transferred by succession.

Long-term leases should be registered on the title certificate for the land with the relevant Land Office and the relevant Land Office should issue a long-term lease certificate once the long-term lease has been registered. Registration of such leases gives notice to any potential purchaser or subsequent lender that its rights would be subordinated to the rights of the lessee.

For land leased from the Royal Government of Cambodia, it is also necessary to apply for the land title of the leased land so that the authorities will issue a certificate of title on which the long-term lease will be registered.

Laws and regulations relating to environmental protection

Companies carrying out textile and garment activities are also subject to the Law on Environmental Protection and Management of National Resources, enacted on 24 December 1996 and Sub-Decree No. 72 on Environmental Impact Assessment, enacted on 11 August 1999 which is the sub-decree providing guidance on the implementation of the Law on Environmental Protection and Management of National Resources. The following activities are first subject to an initial environmental impact assessment and then a full environmental impact assessment:

1. the operation of a textile factory (all sizes);

2. the operation of a dying factory (all sizes);

3. the operation of a garment, printing and dyeing factory (all sizes);

4. the operation of a leather tanning, glue and/or leather processing factory (all sizes); and

5. the operation of a sponge-rubber factory (all sizes).

The Ministry of Environment is the main competent authority approving the initial environmental impact assessment and the full environmental impact assessment.

REGULATORY REQUIREMENTS IN BANGLADESH

Hanbo Enterprises Bangladesh, under Bangladeshi laws, is a local representative office of Hanbo Enterprises Macao and it does not have a separate legal personality under Bangladeshi laws. It represents Hanbo Enterprises Macao in Bangladesh and any liability arising out of its activities in Bangladesh is borne by Hanbo Enterprises Macao. As there is a strict exchange control regime in force in Bangladesh, the scope and nature of transactions that may be undertaken by a liaison office in Bangladesh is severely restricted. The Foreign Exchange Regulations Act, 1947 ("**FERA**") and the Guidelines for Foreign Exchange Transactions 2009, promulgated and enforced by the Bangladesh Bank (i.e. the central bank of Bangladesh) are the key laws governing the foreign exchange control regime in Bangladesh. Dealing in foreign currency in Bangladesh is restricted and only certain licensed bank branches are allowed to remit foreign currency outside Bangladesh and no other person may deal in foreign exchange without the prior consent of the Bangladesh Bank. In addition, remittance of money outside of Bangladesh is allowed only for specific circumstances, and any application for outward remittances must be supported by appropriate documentation.

Pursuant to the terms of the BOI Approval, the activities of Hanbo Enterprises Bangladesh are required to remain confined to liaising with garments manufacturers and exporters in Bangladesh and any other incidental activities. It is not allowed to generate any income locally and all its local expenses are required to be met by remittances from abroad. It is also not allowed to send any remittances outside Bangladesh.

The BOI is empowered to authorise foreign entities to undertake businesses in Bangladesh in different forms, including through a liaison office.

Approvals/permits/licences for liaison offices

BOI: Registration with the BOI is a primary and mandatory requirement for a liaison office of a foreign entity in Bangladesh. The BOI approval will state the terms and conditions to which the approval is subject, and will specify the activities that can be undertaken by the liaison office in Bangladesh.

Registrar of Joint Stock Companies and Firms ('**RJSC**'): A liaison office of a foreign entity is also required to register with the RJSC.

Bangladesh Bank ("**BBK**"): A liaison office in Bangladesh can only undertake banking transactions in Bangladesh with permission from BBK under section 18B of FERA. This is required for all foreign entities to establish any business, trade or commercial activities in Bangladesh.

National Board of Revenue of Bangladesh ("**NBR**"): Liaison offices are also required to obtain a tax identification number ('**TIN**') certificate and value added tax ('**VAT**') registration certificate from the NBR.

Local municipal authority: A trade licence from the local municipal authority is required to be obtained for undertaking approved commercial activities in Bangladesh.

BOI and BBK approvals are generally granted for 2 or 3 years and required to be renewed two months prior to the expiration of the relevant approval. The trade licence is required to be renewed annually.

Applicable taxes

The tax obligations of a liaison office are limited. Liaison offices are not under an obligation to pay income tax in Bangladesh, as they are not supposed to generate any income locally so that its annual tax return must be submitted to NBR showing nil return. However, the liaison office is required to pay municipal tax and other local taxes and deduct VAT at source in the case of payments made to specific persons towards purchase of goods or services. It is also supposed to deduct income tax at source from certain payments it makes including rent, payment for certain services and goods, contracts and salaries, pursuant to the provisions of the Income Tax Ordinance 1984.

Additional compliance required by a liaison office

The liaison office is also required to comply with various reporting/filing requirements, such as quarterly filing of income and expenditure statements, quarterly filing of withholding tax returns on taxes deducted and deposited on payments made during the quarter, filing of VAT returns, quarterly return of remittance received (supported by encashment certificates) and spent to be filed with the BOI, BBK and NBR.

Employment laws

The Labour Act, 2006 as amended by The Bangladesh Labour (Amendment) Act, 2013 and the Contract Act, 1872 govern the legal regime in respect of employment issues in Bangladesh. Foreign nationals can be employed by a liaison office in Bangladesh, provided that five local employees are employed for every foreign employee. Foreigners are required to obtain work permits and permission from BBK under section 18A of FERA. Based on a strict interpretation, the labour laws in Bangladesh appear to apply only to individuals who are defined as "workers" under the Labour Act, 2006 — i.e. employees undertaking menial or physical work, who do not have any managerial, supervisory or administrative capacity. Based on such definition, a person working in a managerial, supervisory or administrative capacity would seem to fall outside the scope of Bangladeshi labour laws.

It is important to note, however, that as a matter of practice many employees who would not ordinarily fall within the scope of the definition of a 'worker' under the Labour Act, 2006 are often nonetheless afforded protection under the labour laws. This arises from the approach that the labour courts appear to take, which is normally very pro-employee and frequently, according to the experience of our Bangladesh legal advisers, accepting jurisdiction over cases which technically fall outside of their jurisdiction based on the letter of the law — e.g. where the employee filing the case falls outside the scope of the definition of 'workers' and is not entitled to sue under Bangladeshi labour laws. Although such cases are usually dismissed by the higher courts, the archaic procedural rules of trial courts in Bangladesh make it particularly difficult for a party to conduct litigation in the labour courts so that the employees can, and usually will, take advantage of this procedural hardship against their employers.

REGULATORY REQUIREMENTS IN THE US

US trade laws

The following US trade laws are applicable to our business:

(i) *General requirements*

19 U.S.C. 1592(a) states that no person, by fraud, gross negligence, or negligence:

(a) may enter, introduce, or attempt to enter or introduce any merchandise into the commerce of the US by means of (i) any document or electronically transmitted data or information,

written or oral statement, or act which is material and false, or (ii) any omission which is material; or

(b) may aid or abet any other person to violate paragraph (a) above.

The requirements of the sections set out below apply to US importers of record (i.e. our US customers). However, our business activities play a role in ensuring that our US customers are compliant with these provisions.

Section 484 of the Tariff Act of 1930, as amended (19 U.S.C. Sec. 1484), states that such importers shall use reasonable care to:

(A) file with the US Customs and Border Protection (the "**CBP**") such documentation as is necessary to enable the CBP to determine whether the merchandise may be released from custody of the CBP; and

(B) complete the entry of merchandise by filing with the CBP the declared value, classification and rate of duty applicable to the merchandise and such other documentation as is necessary to enable the US customs service to:

- properly assess duties on the merchandise;
- collect accurate statistics with respect to the merchandise; and
- determine whether any other applicable requirement of law (other than a requirement relating to release from customs custody) is met.

(ii) *Merchandise description, tariff classification, country of origin, marking requirements and valuation of apparel products*

(A) Merchandise description — Apparel products imported into the US must be completely and accurately described on the import documents, including the commercial invoice and packing list.

(B) Tariff classification — The tariff classification shown on the commercial invoice must be correct.

(C) Country of origin — The country of origin of apparel products from the PRC, Cambodia and Bangladesh is based on where the apparel products undergo substantial transformation (such as where the fabrics undergo cutting and sewing).

(D) Marking — All country of origin labels must be prominently, permanently and conspicuously placed on the apparel products pursuant to CBP regulations and guidelines. Similarly, any fiber content labels, main labels, tags and similar trims must be prominently displayed in accordance with regulations and guidelines by CBP and other affected agencies.

(E) First Sale Valuation — Apparel products exported to the US may be valued for CBP purposes on a "first sale" structure whereby the manufacturer of the goods sells the apparel products produced by it to us, which we then on-sell to our US customers with a mark up in price. In this situation, under the relevant rules governing transactions using a "first sale" structure (the "**First Sale Rule**"), the US customer may value the goods on import at the lower price between the manufacturer and us, if they can meet certain requirements. The requirements include at least two bona fide arm's length transactions, evidence that the apparel products are clearly destined for exportation to the US and a complete paper trail

covering all of the relevant sales transactions. Based on advice provided by our US legal advisers, since we are not the party responsible for filing the documents to comply with such requirements, we should not have any liability under the First Sale Rule.

(iii) *Child labour*

Violations of child labour provisions in the country of production would have a direct and highly visible impact on our US customers.

(iv) *Supply chain security*

Some of our US customers are C-TPAT participants and as such require us to provide documents demonstrating how both us and the third-party manufacturers engaged by us comply with C-TPAT standards. See "Risk Factors — Some of our customers are sensitive to social responsibility and social compliance standards. If we or the third-party manufacturers have or are perceived to have failed to comply with these standards, our reputation could be adversely affected and customers may choose not to continue their business with us" and "Business — Third-party manufacturers".

Product safety and product liability laws

The US has various legal regimes concerning product safety and product liability laws and two areas with particular relevance to our business include: (i) private lawsuits; and (ii) administrative actions taken by the US government.

(i) *Consumer Product Safety Act* (the "**CPSA**")

The CPSA, (15 U.S.C. Sec. 2051-89), prohibits the selling, offer for sale, manufacture for sale, distribution in commerce, or import into the US of apparel products that present as a substantial product hazard are not in conformity with an applicable consumer product safety rule under the CPSA, or any similar regulation.

One of the key effects of the CPSA is the creation of the Consumer Product Safety Commission ("**CPSC**"), an independent agency of the US government with jurisdiction over consumer products. The CPSC seeks to ensure that importers and foreign manufacturers carry out their responsibilities as required by law. The CPSC works closely with the CBP to exercise its authority over consumer products offered for import into the US. Their authority includes:

- banning a consumer product that it deems presents an unreasonable risk of injury (15 U.S.C. Sec. 2057);
- inspecting any factory, warehouse, or shipping container in which consumer products are manufactured or held for distribution (15 U.S.C. Sec. 2065);
- refusing importation of consumer products that: fail to comply with applicable safety rules; are not accompanied by required certification; are imminently hazardous or constitute a substantial product hazard; or are products of a manufacturer who is not in compliance with its inspection and record-keeping obligations (15 U.S.C. Sec. 2066); and
- in certain circumstances, destroying detained products that are refused importation into the US.

(ii) *The Flammable Fabrics Act (the "**FFA**")*

The FFA (15 U.S.C. 25 Sec. 1191-1204), bans the manufacture of any product, fabric, or related material which fails to conform to flammability standards. Standards have been established for

the flammability of clothing textiles and are applicable to all fabric. It appears nearly all apparel products are subject to the FFA and its associated regulations (16 CFR 1602–33).

(iii) *The Textile Fiber Products Identification Act (the "**TFPIA**")*

The TFPIA (15 U.S.C. Sec. 70-70k), prohibits the importation, manufacture, sale, offer for sale, transportation for sale, distribution, or advertising of any textile fiber product that is misbranded or falsely or deceptively advertised. To avoid being considered misbranded, the TFPIA requires that most textile products have a label attached to each textile product (and if necessary, the package or container) in a secure manner, which lists out:

- the generic names and percentages by weight of the constituent fibres in the product;
- the name under which the manufacturer or other responsible company does business, or the registered identification number of the company; and
- the name of the country where the product was processed or manufactured.

Articles of apparel are specifically covered by the TFPIA (16 CFR Sec. 303.45(a)(1)). The Federal Trade Commission has various remedies for violations of the TFPIA and its regulations. It may issue an administrative order, seek civil penalties, and bring an action in federal court.

(iv) *Regulatory regimes — standard for the flammability of clothing textiles (16 C.F.R. Sec. 1610)*

Established under the FFA, this regulation applies to all adult apparel and provides methods of testing the flammability of clothing and textiles intended to be used for clothing by classifying fabrics into three classes of flammability based on their speed of burning. The apparel products we procure for our US customers are governed by this regulation.

(v) *US administrative agencies' jurisdiction over our business operations and the apparel products we procure for our US customers*

The CBP is empowered to assist CPSC and FTC in their enforcement actions, including detaining non-conforming products at a US port of entry. The product safety regulations permit direct action by US agencies against not only products sellers/distributors but also manufacturers, importers, and retailers. Although we do not act as the importer for the apparel products we procure for our US customers, we may be considered a manufacturer based on the role we undertake in the raw materials sourcing and manufacturing process.

(vi) *State court's jurisdiction in private lawsuits*

Each state's law will differ, but generally, if the apparel products allegedly cause an injury in the US, the injured person may file a civil, product liability lawsuit in the relevant state court seeking to recover damages. The injured party is likely to sue all the companies in the chain of distribution initially. Every state permits its citizens to bring tort actions against foreign manufacturers and distributors who send defective products into the state.

Intellectual property law

(i) *Trade secrets*

In the US, trade secrets are generally governed by the laws of each individual state. A "trade secret" is typically defined as all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices,

formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialised physically, electronically, graphically, photographically, or in writing if: (a) the owner thereof has taken reasonable measures to keep such information secret; and (b) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, the public. If a company desires to preserve rights in a trade secret, it must take reasonable measures to keep such information secret. As we provide services to our US customers, we will not only have access to trade secrets of those customers, but will also have obligations to maintain the confidentiality of those trade secrets.

(ii) *Trademarks*

Under applicable US trademark and trade dress law, a trademark includes any word, name, symbol, slogan or device (such as a design), or any combination of these, used to identify goods or services and to distinguish them from those manufactured, sold or serviced by others. Trade dress generally relates to the distinctive packaging or design of a product that promotes the product and distinguishes it from other products in the marketplace. Under US trademark and trade dress law, there are significant risks relating to the configuration of apparel products. The remedies for trademark or trade dress infringement can include injunctions, lost profits and damages.

BUSINESS DEVELOPMENT

Our history can be traced back to 1991 when Mr. Liu YY (our managing director and our executive Director), through Happy Zone (a company which is our Controlling Shareholder and solely and beneficially owned by Mr. Liu YY), and Mr. Cheng (our chairman and an executive Director), together with Ms. Ling Ka Lai (an Independent Third Party), invested in Hanbo Enterprises HK (one of our operating subsidiaries) using their own source of funds, for the purpose of carrying on the business of manufacturing and trading of apparel products in Hong Kong. (In April 2006, Ms. Ling Ka Lai disposed of her shareholding interests in all of our subsidiaries in which she held shareholding interests and currently does not hold any interest in our Group.)

In 1996, we began to gradually change the nature of our business to become an apparel supply chain manager and began to engage third-party manufacturers in the PRC to produce apparel products in 2000. Mr. Liu YY and Mr. Cheng used their knowledge and skills gained throughout their years of experience in working in the apparel industry to build up our business and reputation as an apparel supply chain manager.

In 2006, the Contract Processing Factory was established in Shenzhen, the PRC for our own in-house production of woven wear. In 2010, we made a strategic decision to gradually cease all of our own in-house production of apparel products at the Contract Processing Factory and focus our resources on the provision of apparel supply chain management services. We have ceased our own in-house production of apparel products at the Contract Processing Factory since April 2012 and have outsourced the labour-intensive manufacturing function to various third-party manufacturers located mainly in Cambodia, Bangladesh and the PRC.

The following is a summary of the key milestones in the development of our business:

Year	Event
1991	Hanbo Enterprises HK was established in Hong Kong to carry on the business of manufacturing and trading of apparel products in Hong Kong.
	Opened our office in Hong Kong.
1996	Began to gradually change the nature of our business to become an apparel supply chain manager.
2001	Began to engage third-party manufacturers in Cambodia for the production of woven wear.
	Began to engage third-party manufacturers in Kenya for the production of woven wear (ceased such engagements prior to the commencement of the Track Record Period).
2003	Began to engage third-party manufacturers in Sri Lanka for the production of woven wear (ceased such engagements prior to the commencement of the Track Record Period).
2005	Opened our office in Macao.
2006	The Contract Processing Factory was established in Shenzhen, the PRC.
2007	Opened our office in Shenzhen, the PRC.
2010	Began to engage third-party manufacturers in Bangladesh for the production of woven wear.
	The Board made a strategic decision to gradually cease all of our own in-house production and focus our resources on the provision of apparel supply chain management services.
2011	Opened our liaison office in Bangladesh.

Year	Event
2012	Ceased our own in-house production of apparel products at the Contract Processing Factory.
2013	Opened our office in Cambodia.

CORPORATE DEVELOPMENT

The following describes the corporate history of our Company and our subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands on 30 September 2013 and is the holding company of our subsidiaries. As at the Latest Practicable Date, all allotted and issued Shares of our Company were held by Happy Zone (as to 51.0%) and Mr. Cheng (as to 49.0%).

As a result of the Reorganisation, our Company, through Hanbo Enterprises HK and Hanbo Enterprises BVI, indirectly holds all of the equity interests in our subsidiaries, which are mainly engaged in the provision of apparel supply chain management services. See "— Reorganisation" for further details about the Reorganisation.

Our subsidiary in the BVI

Hanbo Enterprises BVI

Hanbo Enterprises BVI was incorporated in the BVI on 29 April 2004 as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. It is principally engaged in investment holding.

On 19 May 2004, 2,500 shares, 2,400 shares and 5,100 shares in Hanbo Enterprises BVI were allotted and issued to Ms. Ling Ka Lai (an Independent Third Party), Mr. Cheng and Happy Zone respectively, for a consideration of US$2,500, US$2,400 and US$5,100 respectively. As a result, the entire issued share capital of Hanbo Enterprises BVI was held by Ms. Ling Ka Lai (as to 25.0%), Mr. Cheng (as to 24.0%) and Happy Zone (as to 51.0%).

On 3 June 2004, 10,000 shares, 9,600 shares and 20,400 shares in Hanbo Enterprises BVI were allotted and issued to Ms. Ling Ka Lai, Mr. Cheng and Happy Zone respectively, for a consideration of US$10,000, US$9,600 and US$20,400 respectively. After such allotment and issue of shares in Hanbo Enterprises BVI, the proportions in which Ms. Ling Ka Lai, Mr. Cheng and Happy Zone held shares in Hanbo Enterprises BVI remained the same at 25.0%, 24.0% and 51.0% respectively.

On 12 April 2006, Ms. Ling Ka Lai transferred 12,500 shares in Hanbo Enterprises BVI to Mr. Cheng for a consideration of HK$4,000,000 which was determined based on arm's length negotiations with reference to Ms. Ling Ka Lai's contributions as a founder of our Group. Since then and immediately before the Reorganisation, Hanbo Enterprises BVI was held by Happy Zone (as to 51.0%) and Mr. Cheng (as to 49.0%).

The above-mentioned allotments and issues and transfer of shares in Hanbo Enterprises BVI were properly and legally completed and settled.

Our subsidiaries in Hong Kong

Hanbo Enterprises HK

Hanbo Enterprises HK was incorporated in Hong Kong on 20 August 1991 as a limited liability company with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. It has been principally engaged in the provision of apparel supply chain management services since 1996.

On 20 August 1991, each of Pioneer Securities Limited and Project Management Limited (as initial subscribers and being Independent Third Parties) subscribed for one share in Hanbo Enterprises HK.

On 11 November 1991, each of Pioneer Securities Limited and Project Management Limited transferred one share in Hanbo Enterprises HK to Mr. Cheng and Ms. Ling Ka Lai (an Independent Third Party) respectively, for a consideration of HK$1.00, which was determined with reference to the par value of the shares in Hanbo Enterprises HK. On the same date, 2,499 shares, 2,399 shares and 5,100 shares in Hanbo Enterprises HK were allotted and issued to Ms. Ling Ka Lai, Mr. Cheng and Happy Zone respectively, for a consideration of HK$2,499, HK$2,399 and HK$5,100 respectively. As a result, the entire issued share capital of Hanbo Enterprises HK was held by Ms. Ling Ka Lai (as to 25%), Mr. Cheng (as to 24%) and Happy Zone (as to approximately 51%).

On 22 April 2006, Ms. Ling Ka Lai transferred 2,500 shares in Hanbo Enterprises HK to Mr. Cheng for a consideration of HK$2,500 which was determined with reference to the par value of the shares in Hanbo Enterprises HK. Since then and immediately before the Reorganisation, the entire issued share capital of Hanbo Enterprises HK was held by Happy Zone (as to 51.0%) and Mr. Cheng (as to 49.0%).

The above-mentioned allotment and issue and transfers of shares in Hanbo Enterprises HK were properly and legally completed and settled.

Goodeed

Goodeed was incorporated in Hong Kong on 27 January 1994 as a limited liability company with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. It has been principally engaged in the trading of apparel products since 1994.

On 27 January 1994, each of Parkfield Nominees Limited and Parkfield Corporate Services Limited (as initial subscribers and being Independent Third Parties) subscribed for one share in Goodeed.

On 6 April 1994, each of Parkfield Nominees Limited and Parkfield Corporate Services Limited transferred one share in Goodeed to Mr. Chan Chak Fu (a former director of Goodeed) and Hanbo Enterprises HK respectively, for a consideration of HK$1.0, which was determined with reference to the par value of the shares in Goodeed.

On 30 September 1995, 2,499 shares, 2,399 shares and 5,100 shares in Goodeed were allotted and issued to Ms. Ling Ka Lai, Mr. Cheng and Happy Zone respectively, for a consideration of HK$2,499, HK$2,399 and HK$5,100 respectively. As a result, the entire issued share capital of Goodeed was held by Mr. Chan Chak Fu (as to 0.01%), Hanbo Enterprises HK (as to 0.01%), Ms. Ling Ka Lai (as to 24.99%), Mr. Cheng (as to 23.99%) and Happy Zone (as to 51.0%).

On 18 October 1995, each of Mr. Chan Chak Fu and Hanbo Enterprises HK transferred one share in Goodeed to Mr. Cheng and Ms. Ling Ka Lai respectively, for a consideration of HK$1.00,

which was determined with reference to the par value of the shares in Goodeed. As a result, the entire issued share capital of Goodeed was held by Ms. Ling Ka Lai (as to 25.0%), Mr. Cheng (as to 24.0%) and Happy Zone (as to 51.0%).

On 22 April 2006, Ms. Ling Ka Lai transferred 2,500 shares in Goodeed to Mr. Cheng for a consideration of HK$2,500 which was determined with reference to the par value of the shares in Goodeed. Since then and immediately before the Reorganisation, the entire issued share capital of Goodeed was held by Happy Zone (as to 51.0%) and Mr. Cheng (as to 49.0%).

The above-mentioned allotment and issue and transfers of shares in Goodeed were properly and legally completed and settled.

Superbo Trading

Superbo Trading (formerly known as Kitebuhel Limited) was incorporated in Hong Kong on 25 November 1993 as a limited liability company with an authorised share capital of HK$10,000 divided into 1,000 shares of HK$10.00 each. It has been principally engaged in property investment and the provision of management services since 1994.

On 25 November 1993, each of B. & McK. Nominees Limited and B. & McK. Custodians Limited (as initial subscribers and being Independent Third Parties) subscribed for one share in Superbo Trading on the same day.

By way of written resolutions of all of the shareholders of Superbo Trading dated 18 January 1994, the authorised share capital of Superbo Trading was increased from HK$10,000 divided into 1,000 shares of HK$10.0 each to HK$1,000,000 divided into 100,000 shares of HK$10.0 each by the creation of 99,000 shares of HK$10.0 each with such additional shares ranking *pari passu* in all respects with the existing shares of Superbo Trading in issue.

On 18 January 1994, 50,999 shares, 24,999 shares and 24,000 shares in Superbo Trading were allotted and issued to Mr. Liu YY, Ms. Ling Ka Lai and Mr. Cheng respectively, for a consideration of HK$509,990, HK$249,990 and HK$240,000 respectively. As a result, the entire issued share capital of Superbo Trading was held by B. & McK. Nominees Limited (as to 0.001%), B. & McK. Custodians Limited (as to 0.001%), Mr. Liu YY (as to 50.999%), Ms. Ling Ka Lai (as to 24.999%) and Mr. Cheng (as to 24%).

On 22 February 1994, each of B. & McK. Nominees Limited and B. & McK. Custodians Limited transferred one share in Superbo Trading to Mr. Liu YY and Ms. Ling Ka Lai respectively, for a consideration of HK$10.0, which was determined with reference to the par value of the shares in Superbo Trading. As a result, the entire issued share capital of Superbo Trading was held by Mr. Liu YY (as to 51.0%), Ms. Ling Ka Lai (as to 25.0%) and Mr. Cheng (as to 24.0%).

On 22 April 2006, Ms. Ling Ka Lai transferred 25,000 shares in Superbo Trading to Mr. Cheng for a consideration of HK$700,000 which was determined based on arm's length negotiations with reference to the contributions of Ms. Ling Ka Lai as one of the founders of our Group. Since then and immediately before the Reorganisation, the entire issued share capital of Superbo Trading was held by Mr. Liu YY (as to 51.0%) and Mr. Cheng (as to 49.0%).

The above-mentioned allotment and issue and transfers of shares in Superbo Trading were properly and legally completed and settled.

Our subsidiaries in the PRC

Yibao Clothing

Yibao Clothing was established in the PRC on 15 June 2012 as a wholly foreign-owned enterprise with a registered capital of HK$6,370,000, the entire amount of which was contributed in

cash by Hanbo Enterprises HK. On the same day, the Market Supervision Administration of Shenzhen Municipality granted a business licence to Yibao Clothing. It has been principally engaged in the provision of apparel supply chain management services since 2012.

As confirmed by the capital verification report issued by a PRC accounting firm on 27 November 2012, as at 15 November 2012, a total of HK$6,370,000, representing 100.0% of the registered capital of Yibao Clothing, had been contributed in full by Hanbo Enterprises HK.

On 20 March 2013, the registered capital of Yibao Clothing was increased from HK$6,370,000 to HK$8,870,000. The additional capital contribution of HK$2,500,000 was contributed in cash by Hanbo Enterprises HK. As confirmed by the capital verification report issued by a PRC accounting firm on 12 March 2013, as at 6 March 2013, the additional capital contribution of HK$2,500,000 had been contributed in full by Hanbo Enterprises HK.

Our PRC legal adviser, Guantao Law Firm, has confirmed that the registered capital of Yibao Clothing had been fully paid up.

Contract Processing Factory

In June 2006, Hanbo Enterprises HK and 深圳市鹽田區工業發展有限公司 (Shenzhen Yantian District Industrial Development Co., Ltd.*) ("**Shenzhen Industrial Development**") (an Independent Third Party) entered into an agreement (the "**Contract Processing Agreement**") whereby they agreed to establish a contract processing factory (which is not a legal entity under PRC law) in Shenzhen, the PRC, named 深圳市鹽田區工業發展恒寶服裝來料加工廠 (Shenzhen Yantian District Industrial Development Hanbo Clothing Contract Processing Factory*) (the "**Contract Processing Factory**").

Pursuant to the Contract Processing Agreement, (i) Shenzhen Industrial Development provided the production facilities and processing services in respect of the manufacture of apparel products; and (ii) Hanbo Enterprises HK provided the raw materials for the production of such apparel products and paid to Shenzhen Industrial Development subcontracting fees for such processing services, rent and land use rights fees in respect of the production facilities and the salaries of the employees who worked at the Contract Processing Factory. Our Directors consider that the manufacturing activities carried out by the Contract Processing Factory constituted part of our in-house production capabilities. Apparel products produced by the Contract Processing Factory were sold by our Group to our customers.

As part of our strategic decision to focus our resources on the provision of apparel supply chain management services to our customers and to minimise manufacturing and labour costs, we have ceased our own in-house production of apparel products at the Contract Processing Factory since April 2012 and also outsourced the labour-intensive manufacturing function to various third-party manufacturers located mainly in Cambodia, Bangladesh and the PRC. As we no longer operate or control any in-house production facilities, we are able to enjoy a certain degree of flexibility in terms of the production of apparel products. For instance, when there is an increase in the number of orders from customers, we are able to allocate orders to third-party manufacturers without our Group incurring manufacturing or manufacturing-related labour costs; and when there is a decrease in the number of orders from customers, our profits would not be affected by production-related costs (including manufacturing-related labour costs) which we would otherwise have had to bear if we still operated or controlled our own in-house production facilities.

On 28 August 2008, the People's Government of Shenzhen issued *the Opinion on the Transformation of Shenzhen Contract Processing Enterprises to Foreign-invested Enterprises in the Same Location and without Ceasing Production (Shen Fu Ban [2008] No. 91) (關於深圳市來料加工企業原地不停產轉型外商投資企業操作意見 (深府辦《2008》91號))* in which it encouraged contract processing factories such as the Contract Processing Factory to become foreign-invested

enterprises. As a result, the Contract Processing Factory (which is not a legal entity under PRC law) was transformed into Yibao Clothing (which is a legal entity under PRC law). On 3 September 2012, Shenzhen Industrial Development and Hanbo Enterprises HK entered into a termination agreement (the "**Termination Agreement**") whereby both parties agreed to terminate the Contract Processing Agreement with immediate effect. Approval of the Termination Agreement has been obtained from the relevant PRC authority on 6 September 2012.

Deregistration of Yibao (Shanghai)

On 21 February 2012, Yibao (Shanghai) was deregistered as we ceased its liaison function.

Our subsidiary in Macao

Hanbo Enterprises Macao

Hanbo Enterprises Macao was incorporated in Macao on 3 January 2005 as a limited liability company with a registered capital of MOP100,000 and has been wholly owned by Hanbo Enterprises BVI since its incorporation. Hanbo Enterprises Macao has been principally engaged in the trading of apparel products since 2005.

Our subsidiary in Cambodia

Hanbo GSC

Hanbo GSC was incorporated in Cambodia on 29 June 2012 as a limited liability company with a registered share capital of USD1,000,000 divided into 1,000 shares of USD1,000 each. It has been principally engaged in the provision of apparel supply chain management services since 2013.

Hanbo GSC had been wholly owned by Hanbo Enterprises BVI since incorporation until 12 March 2013. On or before 27 June 2012, USD1,500 of the total registered capital of Hanbo GSC was paid up by Hanbo Enterprises BVI and on or before 12 November 2013, the remaining amount of the total registered capital of Hanbo GSC (i.e. USD998,500) was fully paid, by way of cash transfers made to Hanbo GSC by Hanbo Enterprises Macao for and on behalf of the shareholders of Hanbo GSC.

On 12 March 2013, Hanbo Enterprises BVI transferred 510 shares and 490 shares in Hanbo GSC to Mr. Liu YY and Mr. Cheng respectively by way of gift. Since then and immediately before the Reorganisation, the entire issued share capital of Hanbo GSC was held by Mr. Liu YY (as to 51.0%) and Mr. Cheng (as to 49.0%). Such transactions were legally and properly completed and settled.

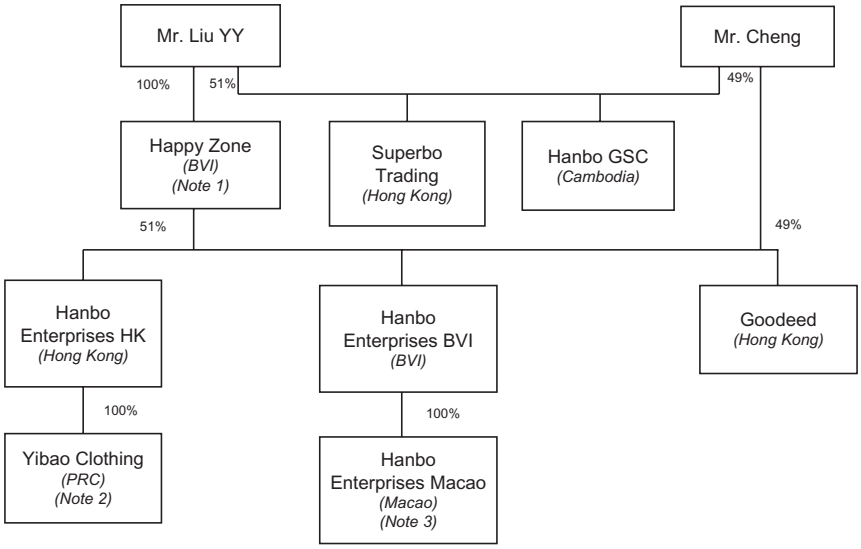
Our liaison office in Bangladesh

Hanbo Enterprises Bangladesh

Hanbo Enterprises Bangladesh, a liaison office of Hanbo Enterprises Macao, was registered in Bangladesh with the BOI as a liaison office on 4 May 2011. The purpose of establishing such office is to facilitate the liaising with apparel manufacturers or exporters located in Bangladesh, the coordinating and monitoring of the production of apparel products and the inspection of apparel products before shipment in Bangladesh.

REORGANISATION

Immediately before the Reorganisation, our subsidiaries were held, directly or indirectly, by Mr. Liu YY and Mr. Cheng. The following chart sets out our Group's corporate and shareholding structure immediately before the Reorganisation:



Notes:

(1) Happy Zone has been solely and beneficially owned by Mr. Liu YY since 3 May 2005.

(2) Yibao Clothing has been wholly owned by Hanbo Enterprises HK since its establishment.

(3) Hanbo Enterprises Macao has been wholly owned by Hanbo Enterprises BVI since its incorporation.

To prepare for the **[REDACTED]**, we underwent the Reorganisation which involved the following steps:

(1) Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on 30 September 2013 and is the holding company of our Group. As at the date of incorporation of our Company, its authorised share capital was HK$380,000 divided into 38,000,000 Shares of par value of HK$0.01 each, of which one Share was allotted and issued as nil paid to Sharon Pierson (the initial subscriber and an Independent Third Party), and then transferred to Happy Zone on the same date as a nil paid Share. Following such transfer, the entire issued share capital of our Company (represented by one nil paid Share) was owned by Happy Zone.

On 28 March 2014, Happy Zone paid up in full the nil paid Share transferred to it.

On 11 June 2014, 50 and 49 Shares were allotted and issued to Happy Zone and Mr. Cheng respectively for a consideration of HK$0.50 and HK$0.49 respectively which were settled by cash (such consideration was determined with reference to the par value of the Shares). Upon completion of the aforementioned allotment and issue of Shares to Happy Zone and Mr. Cheng respectively, the entire issued share capital of our Company was owned as to 51.0% by Happy Zone and as to 49.0% by Mr. Cheng. Such allotment and issue of shares were legally and properly completed and settled.

(2) Acquisition by Hanbo Enterprises BVI of Hanbo GSC

On 27 March 2014, Mr. Liu YY and Mr. Cheng (as sellers) entered into a share sale and purchase agreement with Hanbo Enterprises BVI (as purchaser), pursuant to which Mr. Liu YY and Mr. Cheng transferred 510 shares and 490 shares respectively in Hanbo GSC (representing 51.0% and 49.0% of the total issued shares of Hanbo GSC respectively) to Hanbo Enterprises BVI for a cash consideration of US$765 and US$735 respectively, which was determined with reference to the amount of the initial paid up capital of Hanbo GSC. On 17 April 2014, the Ministry of Commerce of Cambodia approved the transfer of 100.0% of the total issued shares in Hanbo GSC as contemplated under the above-mentioned share sale and purchase agreement, and Hanbo Enterprises BVI became the sole registered shareholder of Hanbo GSC. Such acquisitions were properly and legally completed and settled.

(3) Acquisition by Hanbo Enterprises BVI of each of Goodeed and Superbo Trading

On 28 March 2014, Hanbo Enterprises BVI (as purchaser) entered into a share sale and purchase agreement with Happy Zone, Mr. Liu YY and Mr. Cheng (as sellers), pursuant to which:

(i) Happy Zone and Mr. Cheng transferred 5,100 shares and 4,900 shares respectively in Goodeed (representing 51.0% and 49.0% of the total issued shares of Goodeed respectively) to Hanbo Enterprises BVI for a nominal cash consideration of HK$1.00 and HK$1.00 respectively; and

(ii) Mr. Liu YY and Mr. Cheng transferred 51,000 shares and 49,000 shares respectively in Superbo Trading (representing 51.0% and 49.0% of the total issued shares of Superbo Trading respectively) to Hanbo Enterprises BVI for a nominal cash consideration of HK$1.00 and HK$1.00 respectively.

Upon the completion of the acquisitions of each of Goodeed and Superbo Trading by Hanbo Enterprises BVI as contemplated under the above-mentioned share sale and purchase agreement, the entire issued share capital of each of Goodeed and Superbo Trading was owned by Hanbo Enterprises BVI. Such acquisitions were legally and properly completed and settled.

(4) Acquisition by our Company of each of Hanbo Enterprises HK and Hanbo Enterprises BVI

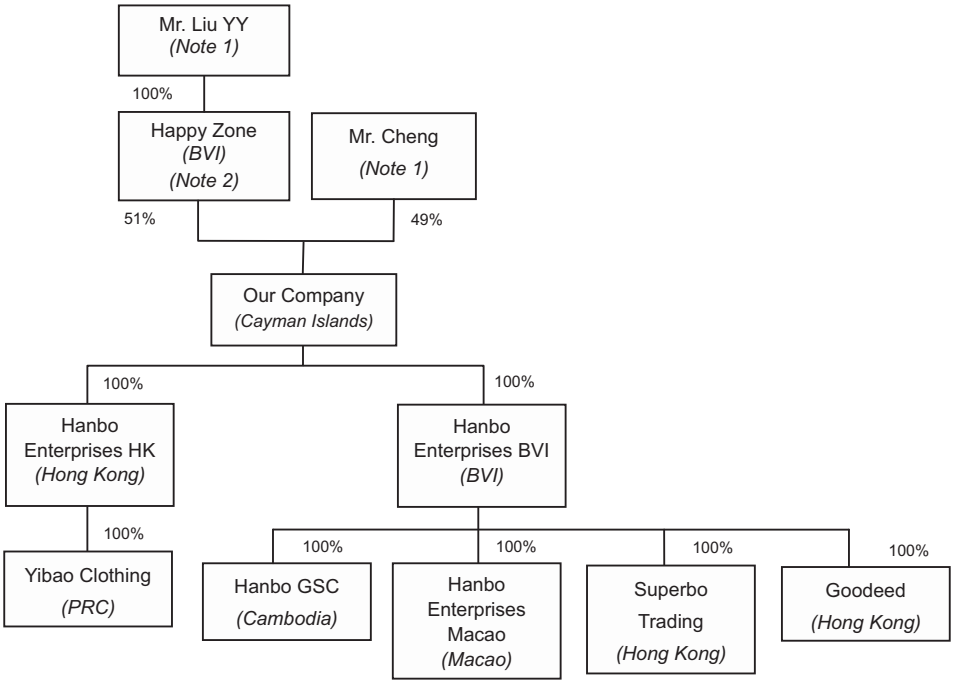
On 17 June 2014, our Company (as purchaser) entered into a share sale and purchase agreement with Happy Zone and Mr. Cheng (as sellers), pursuant to which Happy Zone and Mr. Cheng transferred:

(i) 5,100 shares and 4,900 shares respectively in Hanbo Enterprises HK (representing 51.0% and 49.0% of the total issued shares of Hanbo Enterprises HK respectively) to our Company for a nominal cash consideration of HK$1.00 and HK$1.00 respectively; and

(ii) 25,500 shares and 24,500 shares respectively in Hanbo Enterprises BVI (representing 51.0% and 49.0% of the total issued shares of Hanbo Enterprises BVI respectively) to our Company for a nominal cash consideration of US$1.00 and US$1.00 respectively.

Upon the completion of the acquisitions of each of Hanbo Enterprises HK and Hanbo Enterprises BVI by our Company as contemplated under the above-mentioned share sale and purchase agreement, the entire issued share capital of each of Hanbo Enterprises HK and Hanbo Enterprises BVI was owned by our Company. Such acquisitions were legally and properly completed and settled.

The following chart sets out the corporate and shareholding structure of our Group after the completion of the Reorganisation but immediately prior to the completion of the Capitalisation Issue and the **[REDACTED]**:

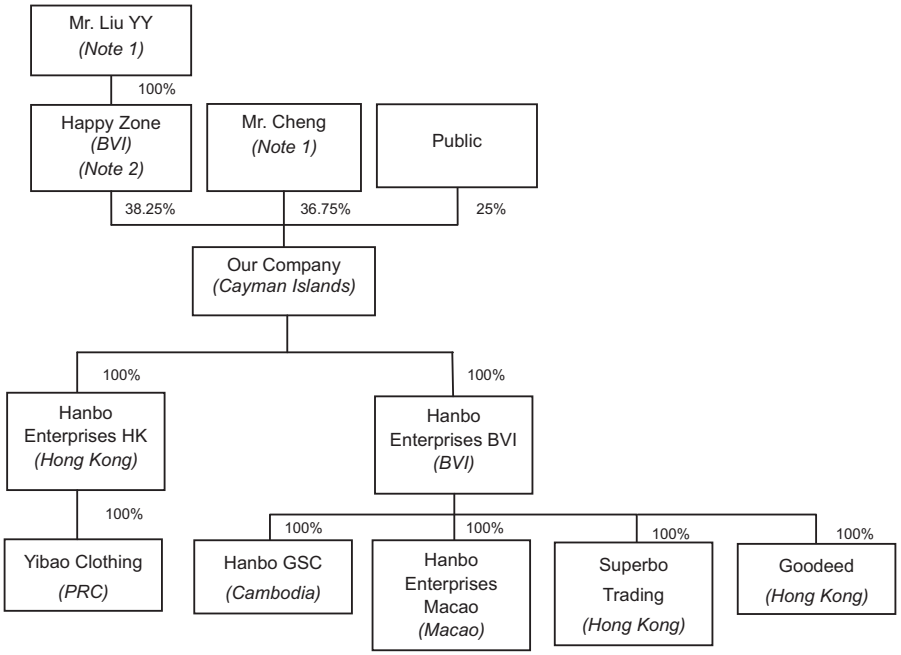


Notes:

(1) Each of Mr. Liu YY and Mr. Cheng is an executive Director.

(2) Happy Zone is a company incorporated in the BVI with limited liability on 17 October 1989. It is solely and beneficially owned by Mr. Liu YY, the managing director of our Company and one of our Controlling Shareholders.

The following chart sets out the corporate and shareholding structure of our Group immediately following completion of the Capitalisation Issue and the **[REDACTED]**, but without taking into account the exercise of any options which may be granted under the Share Option Scheme:



Notes:

(1) Each of Mr. Liu YY and Mr. Cheng is an executive Director.

(2) Happy Zone is a company incorporated in the BVI with limited liability on 17 October 1989. It is solely and beneficially owned by Mr. Liu YY, the managing director of our Company and one of our Controlling Shareholders.

PRC LAWS AND REGULATIONS

Circular No. 75

According to Circular No. 75, PRC residents who establish or control offshore special purpose vehicles ("**SPV**") shall apply to the local branch of foreign exchange administration to register their overseas investments. In addition, where a PRC resident contributes his/her assets or shareholding in a PRC enterprise into an offshore SPV, or engages in the alteration of the shareholding of an offshore SPV, with regard to the net interests he/she holds in such offshore SPV, he/she shall properly register or update his/her registration with the local branch of foreign exchange administration. Mr. Liu YY and Mr. Cheng are permanent residents of Hong Kong. As advised by our PRC legal advisers, they are not PRC residents under Circular No. 75. Accordingly, they are not required to go through the registration procedures under Circular No. 75 with respect to their overseas investments.

M&A Rules

Under the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors in the PRC (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"), which was issued by the Ministry of Commerce of the PRC (中華人民共和國商務部) ("**MOFCOM**") and five other governmental authorities on 8 August 2006, became effective on 8 September 2006 and was further amended on 22 June 2009, mergers and acquisitions of domestic enterprises by foreign investors must be reviewed and approved by MOFCOM or its local branches.

Pursuant to Article 2 of the M&A Rules, the term "merger and acquisition of a domestic enterprise by foreign investors" shall mean (i) a foreign investor purchases the equity interest of a domestic

enterprise or increases the capital of a domestic enterprise so as to convert such domestic enterprise into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise for operating assets purchased from a domestic enterprise, or a foreign investor purchases assets from a domestic enterprise and uses this asset investment to establish a foreign-invested enterprise and operate the assets. In particular, the M&A Rules require, where mergers or acquisitions of any affiliated domestic company are involved during the establishment of the PRC subsidiaries held by special purpose offshore companies, which are formed for overseas listing purpose and controlled directly or indirectly by the PRC companies of individuals, such special purpose offshore companies shall obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange market.

Our PRC Legal Advisers are of the opinion that since Mr. Liu YY and Mr. Cheng are permanent residents of Hong Kong, each of them is not a PRC domestic natural person as defined under the M&A Rules. In addition, the PRC subsidiary of our Group, Yibao Clothing, was directly established as a wholly foreign-owned enterprise by its shareholder (i.e. Hanbo Enterprises HK). No issues relating to mergers or acquisitions of domestic enterprises by foreign investors under the M&A Rules were involved during the establishment of Yibao Clothing. On this basis, the M&A Rules are not applicable to us, and it is not necessary to consult the relevant PRC government authorities in relation to any provision of the M&A Rules.

OVERVIEW

We are an apparel supply chain manager and were established in 1991. We provide apparel supply chain management services for woven wear (such as shirts, pants, jeans and jackets). Our apparel supply chain management services include sourcing of raw materials and third-party manufacturers, sample creation, product design and development, production management, merchandising, quality control, logistics management and social compliance monitoring services. Our customers comprise mainly well-known and reputable specialty stores (including Cato Corporation (a US-based retailer of women's apparel) and a US-based specialty retailer of various products, including apparel products for young consumers), discount stores (including Target Corporation, a large US-based discount store operator) and department stores (including some of the largest US-based department store operators which rank amongst the top five retailers in the US (by revenue) and which have flagship stores in New York).

We act as a one-stop solution provider to our customers by providing them with a wide range of services to meet their needs along the apparel supply chain. To minimise manufacturing and labour costs, we have ceased our own in-house production of apparel products at the Contract Processing Factory since April 2012 and also outsourced the labour-intensive manufacturing function to various third-party manufacturers located mainly in Cambodia, Bangladesh and the PRC. This allows us to focus our resources on the provision of apparel supply chain management services to our customers.

During the Track Record Period, we generally obtained our orders through two main methods: (i) we liaised directly with the representative(s) from the headquarters of our existing customers or potential customers and took orders from them or (ii) we liaised directly with a sourcing agent engaged by one of our existing customers and then took orders from the representative(s) from the headquarters of such customer.

At the start of each main fashion season (i.e. spring/summer or autumn/winter) and from time to time, we would make presentations to our customers on product designs which we have developed and suitable raw materials. When we receive an indication from a customer that it would like to place an order with us, if such customer has already created product designs for the apparel products which it would like us to procure for them, such customer would then provide us with a technical specifications package for such apparel products. Staff from our merchandising department and other relevant departments would then meet with our customer's product design team to discuss the technical specifications package and we would provide suggestions in relation to the composition of the apparel products. If a customer has not itself created any product designs for the apparel products which it would like us to procure for them, our product design and development department would meet with such customer to discuss its requirements for the product designs for apparel products that it would like us to procure for them and we would provide research and development services and suggested product designs to such customer.

After the product designs are finalised, staff from our merchandising department would then discuss with our customer to develop a merchandising programme based on our customer's requirements as to product designs and raw materials required. We would then, based on the finalised product designs, produce product samples in our sample room(s) located in Shenzhen, the PRC and/or Phnom Penh, Cambodia and deliver these product samples to our customer for its consideration. After that, we would provide an initial price quotation for the apparel products and the estimated schedule for delivery of the apparel products to our customer. We would also perfect the fit, style and function of the product samples so that they comply with our customer's requirements and specifications. Once our customer is satisfied with, and grants its approval of, the product samples, it would confirm the quantity of apparel products required, and we would then finalise the price of the apparel products with our customer. Our customer would then place its order with us for the apparel products it requires, based on which we would engage a third-party manufacturer in either Cambodia, Bangladesh or the PRC to produce such apparel products. We, or we (on behalf of the third-party

manufacturer), or the third-party manufacturer itself, would place orders with raw material suppliers for the procurement of suitable raw materials to cater to our customer's needs. Staff from our production and quality control department would provide technical support to the third-party manufacturers, carry out interim inspections of semi-finished apparel products at various stages of the manufacturing process and then would carry out a final inspection on the finished apparel products after the manufacturing process is completed but before the finished products are delivered to our customers' designated warehouses or designated shipping points.

We believe that we play an integral role, and are heavily involved, in each step and the entire flow of the apparel supply chain.

We have been given awards by a number of our customers including *Partner Award of Excellence*, *Outstanding Sales and Gross Profit Performance Award* and *Outstanding Performance Award* amongst others.

OUR COMPETITIVE STRENGTHS

Our Directors believe that we have the following competitive strengths:

One-stop solution provider of apparel supply chain management services

We act as a one-stop solution provider of apparel supply chain management services for woven wear to our customers. By engaging us as their apparel supply chain manager, our customers can rely on us to meet their needs along the apparel supply chain. Our Directors believe that this is more cost-effective and efficient for our customers, as our customers do not have to separately engage service providers for the services required for each step in the apparel supply chain which may be more time-consuming and costly. As a majority of our executive Directors have extensive experience in the apparel industry (including the aspects involved in each step of the apparel supply chain, including sourcing of raw materials and apparel production), our executive Directors know the needs of our customers and how to meet such needs through the provision of our apparel supply chain management services. Our apparel supply chain management services include sourcing of raw materials and third-party manufacturers, sample creation, product design and development, production management, merchandising, quality control, logistics management and social compliance monitoring services.

Based on the knowledge of fabrics of our staff in our fabric department and the business relationships we have developed with raw materials suppliers, we are able to source raw materials of acceptable quality from raw materials suppliers in a manner that our Directors believe is cost-efficient for our customers. Staff in our product design and development department or merchandising department play an active role in making suggestions to our customers as to the types of fabric and other raw materials that could be used to manufacture apparel products based on any requirements our customers may have (including their target price for the apparel products), fashion trends, consumer preferences and the efficiency of the production of the apparel products by third-party manufacturers. If our customer considers that the price of a particular raw material stipulated by a supplier (whether or not such supplier is nominated by such customer) is exorbitant or if a particular raw material is not readily available, we may suggest an alternative supplier (as selected from our extensive portfolio of 680 raw material suppliers (as at the Latest Practicable Date)) to our customer for its consideration and approval.

With the strong talent and skills of the staff in our product design and development department, we have been able to provide our customers with product designs incorporating fashionable trends and styles to cater to our customers' needs or provide design inspiration to our customers. We have also been able to produce product samples for our customers based on our customers' preferred product designs.

Based on the extensive knowledge of our staff in our merchandising department regarding the local environment of locations where the third-party manufacturers we engage are based and our experience in dealing with third-party manufacturers in Cambodia, Bangladesh and the PRC, we have been able to allocate our customers' orders to third-party manufacturers in a manner that is cost-effective and efficient for our customers. Further, as our third-party manufacturers are located in different countries, interruptions to production schedules for a customer's order due to country-specific event(s) (such as the closure of production facilities over a public holiday period in a particular country or workers' strikes in a particular country) could be kept to a minimum as our Directors believe that we could allocate customer's order to a third-party manufacturer in another country where such event(s) are not, at that time, occurring. This could help us to ensure that our customers' orders could be delivered on time.

As we no longer operate or control any in-house production facilities, we have been able to reduce our manufacturing and labour costs and are able to enjoy a certain degree of flexibility in terms of the production of apparel products by the third-party manufacturers. For instance, when there is an increase in the number of orders from customers, we are able to allocate orders to more third-party manufacturers in our network of third-party manufacturers without our Group incurring manufacturing or manufacturing-related labour costs; and when there is a decrease in the number of orders from customers (due to, for example, unexpected changes in weather conditions), our profits would not be affected by manufacturing-related costs (including manufacturing-related labour costs). Since we have ceased our own in-house production of apparel products at the Contract Processing Factory since April 2012, we are able to focus our resources on being a one-stop solution provider of apparel supply chain management services to our customers.

Effective monitoring and control of the provision of our apparel supply chain management services through the use of our ERP system

We have developed our own proprietary ERP system through which we effectively monitor and control the provision of our apparel supply chain management services. Our ERP system is a vital component of our operations and facilitates the operation and integration of our different business functions by enhancing communication and information flow.

We recognise that as our Group grows, our ERP system will have to evolve at the same time. We have a dedicated team who monitor our ERP system on a quarterly basis and make the necessary upgrades to improve our ERP system's functionality and relevance to our business operations. With our ERP system, we can also manage and review not only our customers' current order status, but also data relating to our customers' order history for our apparel supply chain management services, and our financial data on a centralised system which is used by all of our departments in all of our offices, rather than having isolated software applications in each department that cannot interface with any other system.

Our ERP system is used throughout our apparel supply chain management process. Each stage is recorded on our ERP system so that our management team and staff have ready access to information relating to our business operations. This allows our managers to view progress reports on each customer's orders and to access monthly reports on not only orders completed, but the status of uncompleted orders and unpaid invoices and whether each stage of the apparel supply chain has been completed according to the relevant prescribed schedule. As a result, we are able to respond to enquiries from our customers on the status of their respective orders on a timely basis, which we believe is essential to enhance our customers' experience in using our apparel supply chain management services. Another useful feature of our ERP system is the ability to compare information on the system, such as the track record of our suppliers' performance, lead times for different orders, the efficiency and reliability of third-party manufacturers to meet orders on time and customer feedback. We believe this allows our management to make more informed decisions in terms of cost estimates, lead times and selection of suppliers and third-party manufacturers so that we can provide

more effective apparel supply chain management services to our customers. In addition, we are willing to share the information on the track record of our suppliers' performance with our customers so that our customers are kept informed of the standards of performance of our suppliers. We are constantly upgrading our information systems, which we believe would enhance our operations and profitability.

Stringent quality assurance and control measures

We have adopted stringent quality assurance and control measures to ensure that the apparel products we procure for our customers are of high quality. Our quality control staff are involved in each material stage of the apparel supply chain from inspecting product samples before they are delivered to our customers for their consideration, to inspecting raw materials procured from suppliers, to performing checks and assessments on-site at the manufacturing facilities of the third-party manufacturers during each material stage of the production process, and to inspecting the finished apparel products before they are delivered to our customers' designated warehouses or designated shipping points. These inspections, checks and assessments are performed to ensure that the raw materials used in the manufacture of the apparel products and the finished apparel products themselves fully comply with our customers' requirements and any applicable standards for apparel products.

As at the Latest Practicable Date, our production and quality control department comprised 27 staff stationed in Hong Kong, Cambodia, Bangladesh and Shenzhen, the PRC. The department is led by Mr. Ng Ho Ching, our quality control manager, who has over 25 years of experience in the apparel industry (including the field of quality control) and oversees the quality control aspects of our operations. Our production and quality control department is fully conversant with the latest quality standards (such as the AQL standard and the Four-Point System) applicable to apparel products and the raw materials procured for the production of apparel products. The AQL standard refers to the maximum number of defects that could be considered acceptable during the random sampling of an inspection. The Four-Point System refers to a procedure to establish a numerical designation for the grading of fabrics based on a visual inspection of the fabrics. We have quality control staff stationed in every location where we engage third-party manufacturers to produce apparel products. Our quality control staff work closely with the third-party manufacturers and monitor each stage of the manufacturing process.

As the quality of raw materials (in particular, fabric) procured from suppliers for the manufacture of apparel products and the quality control standards and measures adopted by the third-party manufacturers play an important role in the quality of the finished apparel product, we conduct detailed evaluations of our fabric suppliers and third-party manufacturers. We evaluate and select our fabric suppliers and third-party manufacturers based on their experience in the apparel industry, reputation, technical capabilities, financial strength, production capacity, quality control effectiveness, ethical practices and record of compliance with applicable standards for apparel products.

Building the trust and confidence of our customers is of paramount importance to us and we believe that by having a high standard for the quality of the apparel products that we procure for our customers, we would be able to maintain the trust and confidence of our customers.

Experienced management team with extensive industry experience

Our management team possesses extensive industry expertise and experience. Our executive management team includes Mr. Liu YY, Mr. Cheng, Mr. Liu CT, Mr. Yu and Mr. Kao. Each of Mr. Liu YY, Mr. Cheng and Mr. Yu has over 25 years of experience in the apparel industry. Mr. Kao has over 17 years of experience in accounting and auditing. Mr. Liu CT has about 10 years of experience in project management and over three years of experience in the apparel industry. Each of the senior managers, Mr. Cheung Chun Kong and Ms. Lo Sau Ying, has over 20 years of experience in the apparel industry. The combination of their in-depth knowledge and experience in the apparel industry

has enabled our executive Directors and senior management to develop sustainable business strategies, anticipate changes in fashion trends and styles, assess and manage risks and capture profitable market opportunities. We believe our executive Directors and senior management possess the experience, qualifications, commitment and leadership skills to manage and sustain our business and ensure that our business continues to develop and grow.

OUR BUSINESS STRATEGIES

We aim to maintain our growth in the apparel supply chain management services market and enhance our overall competitiveness and market share. We intend to achieve our objectives by adopting the following key business strategies:

Expand our product types to further cater to our customers' needs and attract new customers

With the aim to further cater to our customers' needs by providing more comprehensive service solutions to our customers and to attract new customers, we intend to broaden our existing woven wear product offerings and expand our product types to include cut-and-sewn knitwear. To increase our market share in the cut-and-sewn knitwear market, our Directors believe that we would need to further develop our product design capabilities in the area of cut-and-sewn knitwear design and expand our base of suppliers to include more suppliers of raw materials used in the production of cut-and-sewn knitwear. We intend to develop a comprehensive range of cut-and-sewn knitwear (including tops and bottoms) for all genres of the public with the help and skills of our experienced product design and development department. Our Directors believe that by expanding the types of products we offer to include cut-and-sewn knitwear, we would be able to offer cut-and-sewn knitwear to our existing customers and potential new customers which may be engaged in the sale of cut-and-sewn knitwear to end consumers. We would also be able to increase our coverage of the apparel market, in particular, the men's and women's winter apparel market.

In addition, by leveraging on our network of third-party manufacturers in Cambodia and Bangladesh, our experience in dealing with such third-party manufacturers and our capabilities in providing apparel supply chain management services to meet the needs of our customers along the apparel supply chain, we intend to attract new customers in the PRC market which traditionally may have only engaged manufacturers in the PRC (and not elsewhere) to manufacture their products and which may be engaging various service providers separately for the services required for each step in the apparel supply chain instead of employing the use of a one-stop apparel supply chain manager.

Further enhance our information technology systems and upgrade our ERP system

We plan to continue to improve our ERP system through our dedicated team who monitor our ERP system and make the necessary upgrades to improve our ERP system's functionality and relevance to our business operations.

We effectively monitor and control the provision of our apparel supply chain management services through our own self-developed ERP system. As our business continues to expand and to improve the efficiency and effectiveness of our apparel supply chain management services, we plan to invest in enhancing our ERP system by (i) upgrading the software we use; (ii) enhancing certain features of our ERP such as those relating to cost controls on each order and monitoring the progress of each order; and (iii) developing new features such as a mobile application which would provide increased accessibility to our ERP system from a wider range of portable electronic devices so that the progress of orders can be monitored by our staff or customers from a location away from our offices. This new mobile application will primarily be used by our own staff so that they can better manage their designated orders, but we also plan to enable our customers to track their orders on our ERP system through the use of such mobile application.

As our Directors understand that time is of the essence to our customers, we plan to further enhance our logistics management module of the ERP system so that the lead time for our customers

can be reduced. Our Directors believe that shorter lead times would help to differentiate the services we provide from those provided by our competitors.

Expand the geographical base of the third-party manufacturers

During the Track Record Period, we engaged 32 third-party manufacturers on average each year which are located mainly in Cambodia, Bangladesh and the PRC. We are exploring the possibility of engaging third-party manufacturers in Vietnam and Indonesia. As at the Latest Practicable Date, we have only placed purchase orders with third-party manufacturers in Vietnam and Indonesia on a trial order basis for a minimal quantity of apparel products to assess and evaluate the quality and properties of such apparel products. As at the Latest Practicable Date, we have not formally engaged any third-party manufacturer in Vietnam or Indonesia. In addition, we intend to, from time to time, explore the possibility of engaging third-party manufacturers in other countries where overall costs (including manufacturing costs) may be low and government incentives may be offered to market players in the apparel industry as this may in turn help to lower the costs of manufacturing apparel products and hence, make the pricing of apparel products more attractive to our customers. Our Directors believe that by expanding our geographical base of third-party manufacturers we would be able to provide our customers with a wider range of choices as to where apparel products may be manufactured. We would also enjoy increased flexibility in terms of our choice of a suitable third-party manufacturer to manufacture the apparel products. As public holiday periods vary between different countries, diversifying our geographical base of third-party manufacturers would also help to ensure that interruptions to production schedules for a customer's order due to the closure of production facilities over a public holiday period in a particular country are kept to a minimum, as we would be able to allocate that customer's order to a third-party manufacturer in another country where such public holiday period does not apply. When evaluating whether to engage a new third-party manufacturer, we will take into account certain factors including, its experience in the apparel industry, reputation, technical capabilities, financial strength, production capacity, quality control effectiveness, ethical practices and record of compliance with applicable standards for apparel products.

Further develop our design and development capabilities

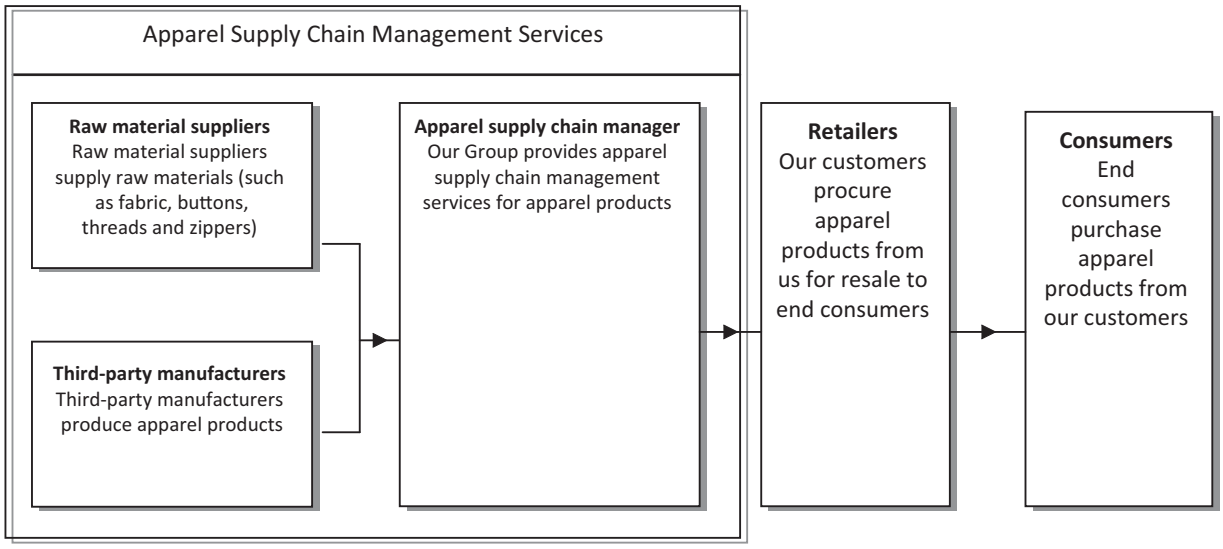
We consider the experience and in-depth industry knowledge of our product design and development department to be a key factor in our business. To further enhance our design and development capabilities, we intend to recruit additional staff who have the requisite experience and ability to design and develop both enhanced product designs for apparel products and new and fresh product designs which can be added to our range of product offerings. We also plan to offer relevant training to the staff in our product design and development department so that they can further develop their product design skills.

APPAREL SUPPLY CHAIN MANAGEMENT SERVICES

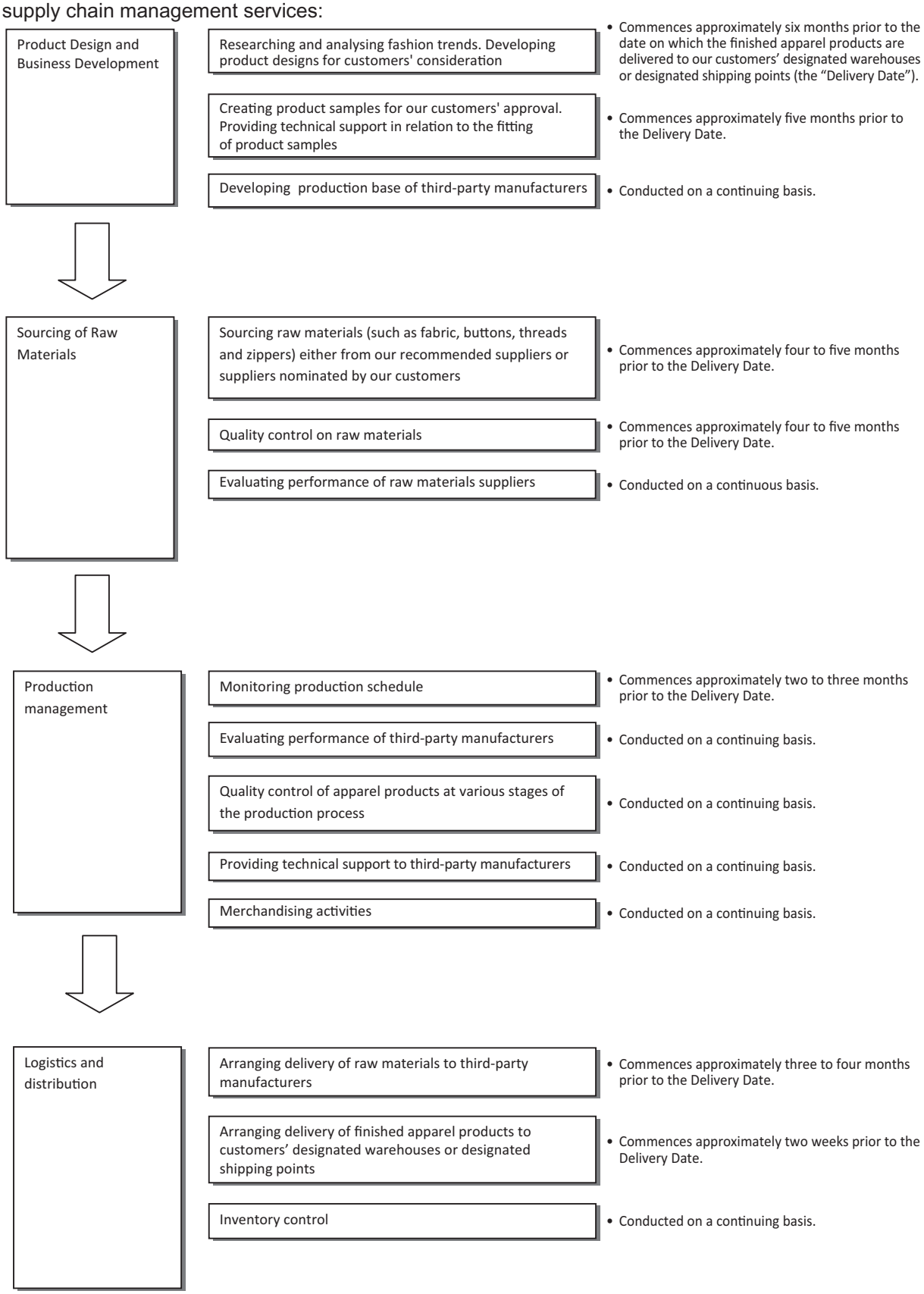
We act as a one-stop solution provider to our customers by providing them with a wide range of services to meet their needs along the apparel supply chain. Our apparel supply chain management services include sourcing of raw materials and third-party manufacturers, sample creation, product design and development, production management, merchandising, quality control, logistics management and social compliance monitoring services. To minimise manufacturing and labour costs, we have ceased our own in-house production of apparel products at the Contract Processing Factory since April 2012 and also outsourced the labour-intensive manufacturing function to various third-party manufacturers located mainly in Cambodia, Bangladesh and the PRC. This allows us to focus our resources on the provision of apparel supply chain management services to our customers.

Business model

The following diagram illustrates our business model for the provision of our apparel supply chain management services:



The following diagram illustrates the flow of operations involved in the provision of our apparel supply chain management services:



Sourcing of orders

During the Track Record Period, we generally obtained our orders through two main methods: (i) we liaised directly with the representative(s) from the headquarters of our existing customers or potential customers and took orders from them; or (ii) we liaised directly with a sourcing agent engaged by one of our existing customers and then took orders from the representative(s) from the headquarters of such customer.

We carefully assess any potential new customer by conducting a thorough credit analysis based on credit rating reports, referrals and public information relating to such new customer. Based on the results of such credit analysis, we then set a credit limit for such new customer. The credit standings and limits of our existing customers are reviewed on an on-demand basis when (i) there is news related to a customer's creditworthiness, or (ii) the settlement record of a customer deteriorates. As none of such incidents took place during the Track Record Period, no such review was required.

Product design and development

In 2004, we established our research and development department which was subsequently restructured and redesignated as our product design and development department in 2013. Our product design and development department is responsible for researching and analysing fashion trends and production techniques, analysing market intelligence and customer profiles, researching raw materials for use in the manufacture of apparel products and designing apparel products. Our product design and development department is led by Mr. Lung Shiu Fai, our creative director, who has over 10 years of experience in the apparel industry. Staff in our product design and development department have extensive experience in developing and designing woven wear (a portion of which contain components made of cut-and-sewn knitwear) for spring/summer and autumn/winter collections, developing and designing product samples, researching and analysing fashion trends and styles, analysing data on the traits of different types of raw materials and mixing and matching different types of fabric for use in apparel products. As at the Latest Practicable Date, our product design and development department comprised 11 staff who are stationed in Hong Kong and Shenzhen, the PRC.

With the strong talent and skills of the staff in our product design and development department, we have been able to provide our customers with product designs incorporating fashionable trends and styles. We have also been able to produce product samples for our customers based on our customers' preferred product designs. Our product design and development department keeps abreast of the latest fashion trends and styles and industry know-how by attending fashion events and apparel trade fairs, and assesses the popularity of different styles amongst consumers, particularly in the US where a substantial number of our customers are based. This helps us to know the preferences of end consumers who purchase apparel products from our customers and thereby be able to design apparel products in a manner that caters to our customers' needs and ultimately, the end consumers. Our US consultant who is based in New York would attend fashion events in the US and then provide us with information on the latest fashion trends styles in the US which helps us to keep up to date with the fashion industry in the US, where a substantial number of our customers are based. During business trips overseas, staff from our product design and development department and merchandising department would visit the stores of our customers and their respective competitors to garner market information on our customers and their respective competitors. We also subscribe to the services of a fashion trend forecaster which provides forecasts on future trends, industry-standard CAD design tools and industry intelligence on aspects of the apparel supply chain management system such as sourcing, product design and merchandising. The services of such fashion trend forecaster have assisted us in anticipating future trends and making more informed decisions on the styles and trends for future collections.

In addition, we use our research and development capabilities to explore different production methods by which the apparel products we procure for our customers can be manufactured at lower

costs. Based on our experience in the apparel manufacturing industry before we ceased our own in-house production of apparel products at the Contract Processing Factory in April 2012, we are able to share our technical know-how on different production methods with our customers so that they have the option to choose the most cost-effective production method. By lowering manufacturing costs, we could offer more attractive product pricing to our customers.

For the three years ended 31 December 2013, the product design and research and development costs we incurred amounted to approximately HK$1.3 million, HK$0.9 million and HK$1.0 million, respectively.

Sourcing of raw materials

We, or we (on behalf of the third-party manufacturer), or the third-party manufacturer would source suitable raw materials (such as fabric, buttons, threads and zippers) from suppliers which are either recommended by us or nominated by our customers.

During the period when we carried on our own in-house production of apparel products at the Contract Processing Factory up until the time when we ceased such in-house production in April 2012, we ourselves sourced raw materials directly from suppliers for use in such in-house production of apparel products for orders allocated to the Contract Processing Factory. In such case, we made payment for the raw materials directly to the relevant supplier(s).

For orders allocated to third-party manufacturers in Cambodia, Bangladesh and the PRC, typically, the third-party manufacturers themselves would directly source the raw materials required from suppliers. This allows us to minimise the amount of our expenditures spent on the sourcing of raw materials. In the case where the third-party manufacturer would directly source the raw materials from suppliers, the third-party manufacturer itself would make payment for the raw materials directly to the relevant supplier(s). If a large amount of raw materials is required for a particular order from a customer and a third-party manufacturer does not have the financial resources to purchase such raw materials, we (on behalf of the third-party manufacturer) would purchase the required raw materials. In the case where we (on behalf of the third-party manufacturer) would source raw materials from suppliers, we would make payment for the raw materials directly to the relevant supplier(s) and then either (i) the total cost of the relevant raw materials would be deducted from the total amount of the subcontracting fees payable by us to the third-party manufacturer for the relevant order allocated to it, or (ii) the third-party manufacturer would issue a letter of credit to us for the purchase of the raw materials and in that case, the total cost of the raw materials would not be deducted from the total amount of the subcontracting fees payable by us to the third-party manufacturer for the relevant order allocated to such third-party manufacturer. Our Directors confirm that we started making payments for raw materials purchased on behalf of the third-party manufacturers in June 2010.

According to the industry research report prepared by Ipsos, the practice of apparel supply chain management service providers to (i) purchase raw material on behalf of third-party manufacturers; and (ii) subsequently deduct the raw material cost from the subcontracting fee is in line with industry norms.

During each of the three years ended 31 December 2013, the maximum outstanding balances owed to the Group by third-party manufacturers due to the Group purchasing raw materials on their behalf was approximately HK$77 million, HK$79 million and HK$65 million, respectively. Having considered that (i) the amount of the cost of raw materials that we paid on behalf of the third-party manufacturers would be fully settled by deducting such amount from the subcontracting fees payable to the third-party manufacturers; (ii) as at the Latest Practicable Date, approximately 94.2% of the outstanding balance as at 31 December 2013 was subsequently settled; and (iii) the outstanding balances as at 31 December 2011 and 2012 were subsequently settled in full, our Directors considered that the related risk exposure to our Group is minimal.

Our Directors confirmed that the third-party manufacturers to which we had made payments for raw materials purchased for them during the Track Record Period were not primarily financed by our Group on the basis that we only paid for raw materials purchased on behalf of them directly to the raw materials suppliers and such fund cannot be applied to finance any other business operations of the third-party manufacturers. Our Directors further confirmed that, so far as we are aware, the third-party manufacturers to which we had made payments for raw materials purchased for them during the Track Record Period did not provide subcontracting services to us exclusively.

To ensure that the total cost of raw materials which are purchased by us on behalf of third-party manufacturers are recoverable in full, we would only agree to purchase raw materials on behalf of the third-party manufacturer(s) if we have a business relationship with the third-party manufacturer(s) and the total cost of such raw materials is less than the estimated total amount of the projected subcontracting fees payable to such third-party manufacturer(s). This enables us to deduct the total cost of such raw materials in full from such subcontracting fees in the case where no letter of credit is issued to us by the third-party manufacturer, without suffering any financial loss ourselves (in the case where a letter of credit is issued to us by a third-party manufacturer, no risk regarding the recoverability of such cost of raw materials should arise). Mr. Kao, an executive Director and the financial controller of our Company, is responsible for authorising the payments by us of such cost of raw materials. When assessing the credit risk of the third-party manufacturers, we would (i) consider our past dealings and our trading records with existing third-party manufacturers, (ii) carry out regular on-site inspections of the operations of the third-party manufacturers and check the payroll records of the third-party manufacturers during the inspections with an aim to identify if there exists any sign of abnormality or financial difficulty, and (iii) hold discussions with the third-party manufacturers for a better understanding of their business operations.

During the Track Record Period, the arrangement of deducting the costs of raw materials from subcontracting fees applied mainly to third-party manufacturers in Cambodia, the PRC and Bangladesh. For most of the transactions with the third-party manufacturers in Bangladesh, the third-party manufacturers for whom we had purchased raw materials during the Track Record Period issued letters of credit to us and no subcontracting fees were deducted.

According to the agreements entered into between our Group and the third-party manufacturers in Hong Kong, the PRC and Cambodia in respect of whom the above arrangement was used (the "**Relevant HK, PRC and Cambodia Third-Party Manufacturers**"), the terms are governed by the laws of the PRC. As advised by our PRC Legal Advisers, we have the right under the relevant sub-contracting agreements which we entered into with the Relevant HK, PRC and Cambodia Third-Party Manufacturers during the Track Record Period to deduct the costs of raw materials we purchased for them. Our Directors confirm that the parties to these agreements have mutually agreed that the laws of the PRC should be the governing law of these agreements. We also confirm that we have prepared these agreements based on a document prepared by our legal advisers containing general terms and conditions including a governing law clause which provides that the laws of the PRC is the governing law. Our Directors confirm that we and the Relevant HK, PRC and Cambodia Third-Party Manufacturers have discussed and negotiated the terms of the relevant agreement on a case-by-case basis. We, and we believe that the Relevant HK, PRC and Cambodia Third-Party Manufacturers, have reviewed the relevant agreement carefully including considering the governing law clause before signing the relevant agreement.

According to the agreements entered into between our Group and the third-party manufacturers in Bangladesh in respect of whom the above arrangement was used (the "**Relevant Bangladesh Third-Party Manufacturers**"), the terms are governed by the laws of Bangladesh. As advised by our Bangladesh legal advisers, we have the right under the relevant sub-contracting agreements which we entered into with the Relevant Bangladesh Third-Party Manufacturers during the Track Record Period to deduct the costs of raw materials we purchased for them.

For orders allocated to third-party manufacturers in Bangladesh, we ourselves would, on occasion, directly source the raw materials required directly from suppliers. In such case, we would make payment for the raw materials directly to the relevant supplier(s).

During the Track Record Period, the raw materials (including fabric, buttons, threads and zippers) used in the manufacture of the apparel products we procured for our customers were mainly sourced from suppliers based in the PRC and Hong Kong. Our Directors confirm that no issue regarding the legality of the source of supply of such raw materials had arisen during the Track Record Period and up to the Latest Practicable Date. We do not enter into long-term raw material supply agreements with our suppliers and specific purchase arrangements (including pricing) are effected by way of purchase orders, which we place with our suppliers based on our customers' orders placed with us. Usually, payments for the purchase of fabric are settled by way of letter of credit or occasionally by telegraphic transfer. Payments for the purchase of trims such as buttons and threads are usually settled by cheque. We generally enjoy a credit term of up to 30 days to settle payment to our suppliers.

When assessing which raw material suppliers to use for the supply of raw materials for the production of apparel products for our customers' orders, we carefully select suitable raw material suppliers from our extensive portfolio of 680 raw material suppliers (as at the Latest Practicable Date) based on (i) certain criteria and evaluation standards including their experience and background and the quality and price of the raw materials they supply and (ii) the requirements of our customers in terms of the types of fabric and trims to be used in the manufacture of the apparel products and the design and cut adopted for the apparel products. At times, our customers would nominate a particular supplier to be the supplier of certain raw materials required for the manufacture of apparel products to be sold to them (in such circumstances, the relevant customer would negotiate the price of the raw materials directly with its nominated supplier). Before we engage, or recommend to our customers, any new raw material suppliers, they would first need to satisfy our own internal quality control requirements.

Staff in our product design and development department or merchandising department play an active role in making suggestions to our customers as to the types of fabric and other raw materials that could be used to manufacture the apparel products based on any requirements our customers may have (including their target price for the apparel products), fashion trends, consumer preferences and the efficiency of the production of the apparel products by third-party manufacturers. If our customer considers that the price of a particular raw material stipulated by a supplier is exorbitant or if a particular raw material is not readily available, we may suggest an alternative supplier (as selected from our extensive portfolio of 680 raw material suppliers (as at the Latest Practicable Date)) to our customer for its consideration and approval.

The raw materials sourced are either (i) delivered directly by the supplier to the relevant third-party manufacturer (in which case the transportation costs incurred for such delivery are borne by the supplier) or (ii) first delivered by the supplier to our storage facility in Hong Kong or our warehouse in Shenzhen, the PRC and consolidated before they are delivered to the third-party manufacturer to reduce transportation costs (in which case the supplier is only responsible for the transportation costs incurred for the delivery of the raw materials to our storage facility in Hong Kong or (as the case may be) our warehouse in Shenzhen, the PRC and we would be responsible for the transportation costs incurred for the delivery of the raw materials from such storage facility or (as the case may be) warehouse to the third-party manufacturer).

In the case where we or we (on behalf of the third-party manufacturer) would source the raw materials from suppliers, our quality control staff would conduct an on-site inspection of the quality of the raw materials at the premises of the relevant suppliers and produce an inspection report detailing the results of such inspection which would be provided to our merchandising department. In the case where the third-party manufacturer would source the raw materials from suppliers, the third-party manufacturer itself would inspect the quality of the raw materials and produce an inspection report

detailing the results of such inspection which would be provided to our merchandising department. Only those raw materials which pass the inspection can be delivered to the relevant third-party manufacturers.

Our Directors confirm that, during the Track Record Period, we did not experience any material delays or shortages in the supply of raw materials from our suppliers, and we did not have any material disputes with our suppliers in relation to the supply of raw materials that had any material adverse effect on our financial results or business operations.

Production management

Instead of being heavily involved in the actual production process for the production of the apparel products, we have ceased our own in-house production of apparel products at the Contract Processing Factory since April 2012 and also outsourced the labour-intensive manufacturing function to various third-party manufacturers located mainly in Cambodia, Bangladesh and the PRC. As such, in terms of the production process of apparel products, we mainly manage and monitor the overall production process of the apparel products. We act as a one-stop solution provider to our customers by providing them with a wide range of services to meet their needs along the apparel supply chain. We provide our production management services through the following departments:

- fabric department — responsible for the procurement of fabric materials and the inspection and evaluation of the quality of fabric materials;

- social compliance team from administration department — responsible for the monitoring of the third-party manufacturers to ensure that they operate in accordance with any standards stipulated by our customers and all applicable laws and regulations;

- merchandising department — responsible for the coordination of the apparel supply chain management services that we provide including the procurement of raw materials and communication with our customers;

- production and quality control department — responsible for the selection and management of suitable third-party manufacturers and overseeing the performance of the third-party manufacturers; and conducting inspections of all apparel products at various stages of the production process and arranging for the repair or return of defective apparel products; and

- shipping department — responsible for coordinating the transportation of raw materials to the third-party manufacturers, the preparation of the relevant documents relating to the delivery of apparel products to our customers' designated warehouse or designated shipping point and the submission of such documents to our customers.

At the start of each main fashion season (i.e. spring/summer or autumn/winter) and from time to time, we would make presentations to our customers on product designs which we have developed and suitable raw materials. When we receive an indication from a customer that it would like to place an order with us, if such customer has already created product designs for the apparel products which it would like us to procure for them, such customer would then provide us with a technical specifications package for such apparel products. Staff from our merchandising department and other relevant departments would then meet with our customer's product design team to discuss the technical specifications package and we would provide suggestions in relation to the composition of the apparel products. If a customer has not itself created any product designs for the apparel products which it would like us to procure for them, our product design and development department would meet with such customer to discuss its requirements for the product designs for apparel products that it would like us to procure for them and we would provide research and development services and suggested product designs to such customer.

After the product designs are finalised, staff from our merchandising department would then discuss with our customer to develop a merchandising programme based on our customer's requirements as to product designs and raw materials required. We would then, based on the finalised product designs, produce product samples in our sample room(s) located in Shenzhen, the PRC and/or Phnom Penh, Cambodia and deliver these product samples to our customer for its consideration. After that, we would provide an initial price quotation for the apparel products and the estimated schedule for delivery of the apparel products to our customer. We would also perfect the fit, style and function of the product sample so that it complies with our customer's requirements and specifications. Once our customer is satisfied with, and grants its approval of, the product sample, it would confirm the quantity of apparel products required, and we would then finalise the price of the apparel products with our customer. Our customer would then place its order with us for the apparel products it requires, based on which we would engage a third-party manufacturer in either Cambodia, Bangladesh or the PRC to produce such apparel products. We, or we (on behalf of the third-party manufacturer), or the third-party manufacturer itself, would place orders with raw material suppliers for the procurement of suitable raw materials to cater to our customer's needs. Staff from our production and quality control department would provide technical support to the third-party manufacturers, carry out interim inspections of semi-finished apparel products at various stages of the manufacturing process and then would carry out a final inspection on the finished apparel products after the manufacturing process is completed but before the finished products are delivered to our customers' designated warehouses or designated shipping points.

We believe that we play an integral role, and are heavily involved, in each step and the entire flow of the apparel supply chain.

The lead time between the initial stage of the creation of product designs and the placing of orders by our customers is generally two months, and the lead time between the placing of orders by our customers and the completion of mass production and delivery is generally four months.

In-house production

During each of the two years ended 31 December 2012, some of the apparel products we sold were manufactured by the Contract Processing Factory in Shenzhen, the PRC. Our Directors consider that such manufacturing activities were part of our in-house production capabilities. (For further details regarding the Contract Processing Factory, see "History, Reorganisation and Corporate Structure — Corporate development — Our subsidiaries in the PRC — Contract Processing Factory".)

Since April 2012, we have ceased our own in-house production of apparel products at the Contract Processing Factory and we also outsourced the labour-intensive manufacturing function to third-party manufacturers located mainly in the PRC, Cambodia and Bangladesh. By outsourcing the manufacture of apparel products to third-party manufacturers, we have been able to reduce our manufacturing and labour costs. As we no longer operate or control any in-house production facilities, we are able to enjoy a certain degree of flexibility in terms of the production of apparel products by third-party manufacturers. For instance, when there is an increase in the number of orders from customers, we are able to allocate orders to more third-party manufacturers in our network of third-party manufacturers without our Group incurring manufacturing or manufacturing-related labour costs; and when there is a decrease in the number of orders from customers, our profits would not be affected by manufacturing-related costs (including manufacturing-related labour costs).

During each of the two years ended 31 December 2012, the quantity of apparel products manufactured at the Contract Processing Factory was approximately 634,000 pieces and approximately 177,000 pieces respectively (representing approximately 5.3% and 2.2% respectively of the total number of apparel products (including apparel products manufactured by third-party manufacturers and the Contract Processing Factory) produced during each of the two years ended 31 December 2012 respectively).

Third-party manufacturers

During the Track Record Period, we increasingly outsourced the production of apparel products to third-party manufacturers located mainly in Cambodia, Bangladesh and the PRC to focus our resources on the provision of apparel supply chain management services. During each of the three years ended 31 December 2013, the number of apparel products produced by the third-party manufacturers accounted for approximately 95.0%, 97.8% and 100.0% respectively of the total apparel products we procured for our customers during the same respective periods.

During the Track Record Period, we engaged 32 third-party manufacturers on average each year. Each of the third-party manufacturers has been approved by us and the relevant customer(s) for which it manufactures apparel products. The third-party manufacturers are engaged in the manufacture of apparel products. We have had business relationships with our top five third-party manufacturers for an average of eight years.

We have a diversified base of third-party manufacturers which enables us to have a wide range of third-party manufacturers to choose from when determining which third-party manufacturers to engage for the production of apparel products for our customers. This allows us to manage the total amount of subcontracting fees payable by us to third-party manufacturers as, for example, if the costs of a third-party manufacturer in one location are increasing due to rising labour costs, we are able to allocate more orders to other third-party manufacturers in locations where labour costs are lower. Our Directors believe that this enables us to provide cost-effective apparel supply chain management services to our customers.

The following table sets out the number of apparel products procured for our customers by geographical location of production base for each of the three years ended 31 December 2013:

Geographical location of production base	For the years ended 31 December					
	2011		2012		2013	
	Number of apparel products procured for our customers ('000)	*% of total number of apparel products procured for our customers (%) (Note 2)*	*Number of apparel products procured for our customers ('000)*	*% of total number of apparel products procured for our customers (%) (Note 2)*	*Number of apparel products procured for our customers ('000)*	*% of total number of apparel products procured for our customers (%) (Note 2)*
Bangladesh	2,131	18.0	1,084	13.7	1,402	15.7
Cambodia	5,231	44.1	4,159	52.8	3,981	44.5
China	4,506	38.0	2,641	33.5	3,548	39.7
Hong Kong *(Note 1)*	—		—		8	0.1
Total	**11,868**	**100.0**	**7,884**	**100.0**	**8,939**	**100.0**

Notes:

(1) The 7,909 apparel products that were manufactured in Hong Kong were procured by us to satisfy a special one-off request from a customer (such procurement of apparel products was not a part of our mainstream business operations).

(2) Due to rounding, figures in the percentage column may not add up to 100 percent.

When evaluating and selecting a third-party manufacturer from our existing network of third-party manufacturers to produce apparel products for our customers, we take into account various factors such as the third-party manufacturers' experience in the apparel industry, reputation, technical capabilities, financial strength, staff resources, efficiency, quality control effectiveness, ethical practices and record of compliance with applicable standards for apparel products. Before we allocate a particular customer order to a third-party manufacturer, we usually obtain price quotations from a few third-party manufacturers for comparison purposes and then select the most suitable one based on the quality of goods previously produced, their technical capabilities and fee quotes. We would usually

negotiate various terms of engagement with the third-party manufacturer, including the total production cost, payment terms and delivery method and schedule.

The terms and conditions upon which we engage third-party manufacturers in the PRC, Cambodia and Bangladesh are usually stipulated in the orders we place with them for the manufacture of apparel products. We entered into agreements with a few third-party manufacturers in the PRC, Cambodia and Bangladesh. In general, under the agreements or (as the case may be) orders we entered into, or (as the case may be) placed, with the third-party manufacturers, either they would purchase the raw materials required themselves or we, or we (on behalf of the third-party manufacturers), would purchase the raw materials required (for further details in this regard, see "— Apparel supply chain management services — Sourcing of raw materials"). The third-party manufacturers are permitted to subcontract certain ancillary works relating to the production process to other manufacturers provided that our prior written consent is obtained.

We reserve, on a non-binding basis, a certain percentage of the total production capacity of the third-party manufacturers for the manufacture of the apparel products to be procured for our customers and use our best endeavours to ensure that such percentage is utilised for the manufacture of such apparel products.

As fashion styles and trends constantly evolve and change in the apparel industry, we do not enter into any long-term agreement with the third-party manufacturers which is in line with common practice in the apparel supply chain management industry. The agreements which we enter into with the third-party manufacturers are generally for a term of three years. According to the agreements or (as the case may be) orders we entered into, or (as the case may be) placed, with the third-party manufacturers, we generally settle the trade payables with them by telegraphic transfer or by letter of credit.

We generally enjoy a credit term of up to 30 days to settle payment to the third-party manufacturers. As part of our strategy to further strengthen our business relationships with the third-party manufacturers, in general, after the finished apparel products have been inspected by us and delivered to our customers' designated warehouse or designated shipping point, we usually pay the full amount of the subcontracting fees to the third-party manufacturers. This payment to the third-party manufacturers is not contingent on whether we receive payment for the relevant apparel products from our customers and is usually made before we receive such payment from our customers. This payment arrangement allows the third-party manufacturers to receive their subcontracting fees from us first without having to wait for customers to pay us for the apparel products which helps ensure that the third-party manufacturers have more cash resources for their operations. (For details regarding the risks relating to such payment arrangement, see "Risk Factors — Risks relating to our business — We usually pay the full amount of all costs due to suppliers and third-party manufacturers and arrange for delivery to our customers before we receive payment from our customers. If any significant amount of payments cannot be collected from our customers in the future, our financial conditions and results of operations could be adversely affected".)

We have adopted and implemented written guidelines and policies governing our procedures in selecting a new third-party manufacturer and monitoring the on-going performance of existing third-party manufacturers. In particular, we have developed a social compliance programme to guide and help third-party manufacturers to operate in accordance with applicable laws and regulations governing such issues as wages and employee benefits, health and safety standards, environmental protection, brand protection and compliance with the requirements of the SA 8000 standard. We require all the third-party manufacturers to comply with such social compliance programme.

When evaluating whether to use a new third-party manufacturer to manufacture apparel products for our customers, we will take into account certain factors including, the production capacity, technical capabilities and compliance record of the third-party manufacturer, the labour laws applicable in the country where the third-party manufacturer is located and the quality standards adopted by the third-party manufacturer. In certain instances, our customer may also instruct an independent external inspector to conduct an on-site inspection of the third-party manufacturer.

Before allocating any customer's orders to a new third-party manufacturer, staff in our social compliance team in our administration department will also conduct an on-site inspection of the third-party manufacturer's facilities to examine its production and technical capabilities and inspect the working conditions of the manufacturing facilities to ensure that the manufacturing facilities comply with any manufacturing standards stipulated by the relevant customer, any applicable industry standards and the requirements of our self-developed social compliance programme. We would only allocate a customer's orders to a new third-party manufacturer if it passed our inspections and such customer's inspections (if any). We would also require the new third-party manufacturer to produce pre-production product samples for our inspection (orders made for these samples are treated as trial purchases). If we are satisfied with the quality of the pre-production product samples, we will place bulk orders with the third-party manufacturer for the mass production of apparel products for the relevant customer.

We have quality control staff stationed in production facilities where we engage third-party manufacturers to produce apparel products. Our quality control staff work closely with the third-party manufacturers and monitor each stage of the manufacturing process and provide advice on production details and product quality to the third-party manufacturers so that the finished apparel products are of good and consistent quality. Inspections of semi-finished apparel products are carried out at various stages of the manufacturing process with a final inspection carried out on the finished apparel products after the manufacturing process is completed but before the finished apparel products are delivered to our customers' designated warehouses or designated shipping points.

We have adopted and implemented the following measures, which are stated in our self-developed social compliance programme, to monitor and ensure the third-party manufacturers' on-going compliance with our customers' corporate social responsibility standards and SA 8000 standard:

(i) we schedule and conduct an annual audit either nine months or one year after a new third-party manufacturer has passed its initial audit or an existing third-party manufacturer has passed its most recent audit;

(ii) we take follow-up actions if the results of an audit show that a third-party manufacturer is non-compliant in a particular matter to enforce the third-party manufacturer's compliance with the relevant standards and requirements. For example:

- if a third-party manufacturer is found to be using child labour or operating without the necessary legal permits or licences and the breaches are not immediately rectified, we should (i) (in the case of a new third-party manufacturer) consider not to allocate any orders to such third-party manufacturer or (ii) (in the case of an existing third-party manufacturer) consider to cease all business transactions with such third-party manufacturer; and
- if the third-party manufacturer has not implemented adequate measures to protect the health and safety of its employees, we should suggest certain rectification measures by which the third-party manufacturer can improve its operations or facilities;

(iii) we schedule and conduct a follow-up audit to check and ensure that all rectification measures have been implemented; and

(iv) if, during the follow-up audit, it is found that not all rectification measures have been implemented, our social compliance team in our administration department would continue to provide advice to the third-party manufacturer to assist it to implement all relevant rectification measures.

If orders from our US customer(s) have been allocated to a third-party manufacturer(s) and such third-party manufacturer(s) continue(s) to fail to meet such standards and requirements, this may give rise to certain indemnification obligations on the part of our Group under the relevant agreement(s) we entered into with our US customer(s).

So far as the Company is aware, there was no material breach by the third-party manufacturers of the social corporate responsibility standards and SA 8000 during the Track Record Period and up to the Latest Practicable Date.

Our Directors confirm that, during the Track Record Period, we did not experience any material delays when liaising with, or any disputes with, the third-party manufacturers in relation to the delivery of finished goods, or any material adverse consequences from any defective apparel products produced by the third-party manufacturers.

During the Track Record Period, we entered into loan agreements with some third-party manufacturers. Our loans to such third-party manufacturers were unsecured, interest-free and repayable within one year except for, (a) an amount of US$0.1 million (equivalent to approximately HK$0.78 million), which was repayable on 30 June 2017; and (b) an amount of US$60,000 (equivalent to approximately HK$0.47 million), which was subject to guarantees given by parties independent to our Group. The total amount of these loans was approximately HK$59,000, HK$2.2 million and HK$1.7 million, which accounted for approximately 0.02%, 0.87% and 1.01% of our total assets as at 31 December 2011, 2012 and 2013, respectively. All outstanding balance was fully repaid in April 2014. We did not enter into any loan agreements with third-party manufacturers after the Track Record Period and, currently, there is no intention to do so after **[REDACTED]**. We did not enjoy any direct benefit from these agreements in terms of discounts or priority for booking production capacity.

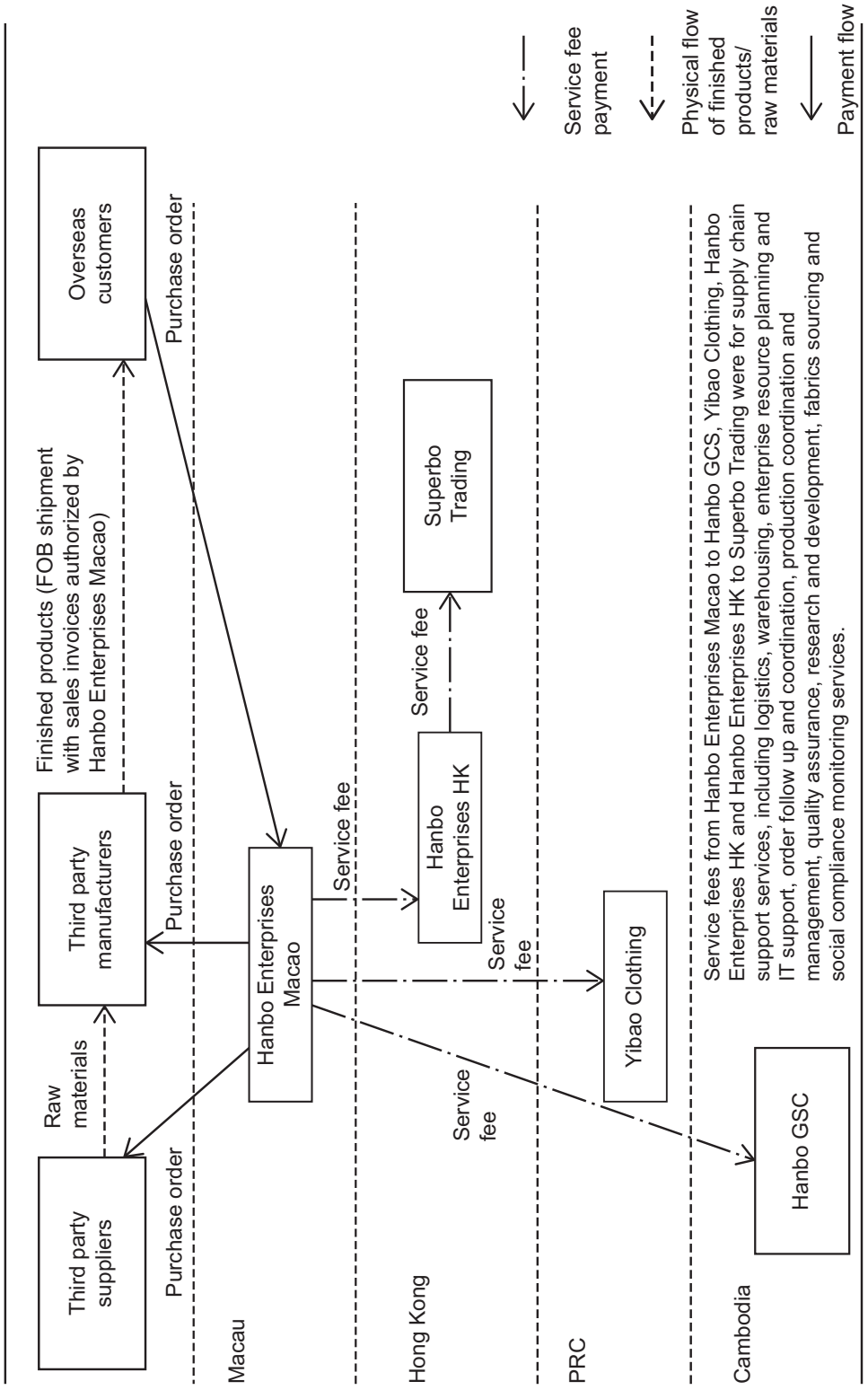
So far as we are aware, we started making loans to third-party manufacturers in May 2001. Since then, we have entered into nine loan agreements with seven third-party manufacturers, three of which were interest-bearing loans. Our Directors confirm that such provisions of loan were made at the request of the third-party manufacturers.

So far as we are aware, the third-party manufacturers to which we had made loans during the Track Record Period were not primarily financed by us as (i) our Directors understand from the relevant third-party manufacturers that the loans were used in the manner stated above and our Directors believed that the provisions of loans to the third-party manufacturers would allow them to enhance their credentials to meet social compliance standards and factory audits requirements which in turn benefit the apparel supply chain management service of our Group; and (ii) during the Track Record Period, we entered into four loan agreements with three third-party manufacturers and the amount of loan made by us under each of the said loan agreements was within a range of US$10,000 to US$100,000. All outstanding balances of these loans were fully repaid in April 2014. Our Directors consider that the amounts of loans are immaterial when compared to the operation of a production factory in general. Our Directors further confirmed that, so far as we are aware, the third-party manufacturers to which we had made loans during the Track Record Period did not provide subcontracting services to us exclusively.

During the period when there were amounts owing to our Group under the loans to third-party manufacturers, there may have been a risk that the third-party manufacturer(s) would default in the repayment of any amounts of the loans owed to our Group. Given the fact that the aggregate amount of the loans was insignificant, the risk relating to such financing is minimal. Apart from such risk, our Directors have confirmed that there were no other risks relating to the loans made by our Group to the third-party manufacturers during the afore-mentioned period. Our Directors are of the view that, taking into account that the loan amounts provided to the third-party manufacturers as compared to our Group's financial position during the Track Record Period were insignificant, the risk relating to the above-mentioned financing arrangements with the third-party manufacturers is minimal and does not have any material adverse effect on the financial position of our Group during each of the three years ended 31 December 2013. As all outstanding balance in relation to the loans to the third-party manufacturers have been fully repaid, our Directors consider that we were not exposed to any credit risk in this regard as at the Latest Practicable Date.

The main logistical flow of raw materials and finished goods

The following diagram illustrates the main logistical flow of raw materials and finished goods and business arrangements within our Group during the Track Record Period.



PRICING STRATEGY

Once the product designs are finalised and the product samples have been approved by our customers, we agree the prices of the apparel products with our customers. We then enter into individual bulk orders with our customers and no price adjustments are usually allowed thereafter. This means that if there are subsequently any changes to the price of the raw materials sourced from our suppliers or the finished apparel products manufactured by the third-party manufacturers or any changes to the subcontracting fees charged by the third-party manufacturers, this may affect our results of operations.

The apparel products are priced separately for each order based on the estimated cost of the apparel product (including the estimated product design and development costs which we would incur and the subcontracting fees which we estimate the third-party manufacturers would charge for manufacturing the apparel product) and/or the suggested merchandise price for such apparel product. We estimate the subcontracting fees to be charged by the third-party manufacturers based on a number of factors including the volume of orders, the timing of delivery, the number of steps involved in the production process, the complexity of such steps, the estimated cost of raw materials to be sourced (which we estimate after taking into consideration any expected fluctuations in raw material prices) and the estimated mark-up margins to be charged by them. In addition, before we determine the final price for an apparel product, we would also take into account other factors such as the size of the relevant order, the type of the apparel product (e.g. whether the apparel product is a shirt or pants), our relationship with the relevant customer and the timing for delivery of the apparel product as requested by our customer.

PROCUREMENT POLICY

The following sets out the general procedure for the steps taken for the procurement of raw materials under our procurement policy:

1) after we receive indicative orders from our customers, our merchandising staff will gather information on the latest trends of raw material prices from public sources and commodities indices and then pass on such information to our merchandising manager for review;

2) our merchandising manager will then evaluate the information and formulate an estimated unit price for the raw material concerned and then commence negotiations with our suppliers (our customers may, on occasion, require us to procure the raw materials from a particular supplier nominated by such customers);

3) based on the results of the negotiations with our suppliers, our merchandising manager will determine whether a reasonable amount of gross profit can be achieved from the sale of the relevant apparel product;

4) the results of the negotiations with our suppliers and the estimated unit price for the raw material concerned will be passed to our executive Directors for consideration and approval; and

5) our executive Directors will then decide on the desired final unit price for the raw material concerned.

If we anticipate that there will be an increase in the raw material prices, we would make bulk purchases of raw materials to avoid subsequent increases in purchase costs of raw materials. If we anticipate that there will be a decrease in the raw material prices, we would make split purchases to benefit from the decreasing trend of raw material prices.

CUSTOMERS

Our customers comprise mainly well-known and reputable specialty stores (including Cato Corporation (a US-based retailer of women's apparel) and a US-based specialty retailer of various products, including apparel products for young consumers), discount stores (including Target Corporation, a large US-based discount store operator) and department stores (including some of the largest US-based department store operators which rank amongst the top five retailers in the US (by revenue) and which have flagship stores in New York). We have maintained business relationships with our top five customers for six to 14 years.

We had a customer base of 23, 19 and 15 customers in each of the three years ended 31 December 2013, respectively. Although there has been a decrease in the number of customers over the Track Record Period, this was mainly due to our strategic decision to focus our resources on customers which our Directors consider as more valuable or customers from whom a relatively substantial amount of gross profits is expected to be derived on a recurring basis. The percentage of the total number of our customers who are recurring customers (i.e. those who have placed an order with our Group in any previous year) has been increasing over the Track Record Period. During each of the three years ended 31 December 2013, approximately 69.6%, 84.2% and 86.7% respectively of the total number of our customers during the same respective periods were recurring customers. Seven of our top 10 customers for each of the three years ended 31 December 2013 have remained as part of our top 10 customers over the Track Record Period. This reflects our strategy of focusing on and maintaining a core group of recurring customers, which our Directors believe will be advantageous to our Group because the larger orders from this group of recurring customers will allow us to benefit from economies of scale that we would not have been able to achieve if we only obtained smaller orders from a vast number of customers. Further, our gross profit margin over the Track Record Period has been increasing despite the decrease in the number of customers over the Track Record Period which demonstrates the success of our above-mentioned strategy.

We decide whether or not to pursue a business relationship with a customer based on the projected number of orders and size of orders that we expect to receive from such customer or its historical trading record. Some of our customers usually provide their respective purchase projections to us on an annual basis in the last quarter of each year for the upcoming year (including their estimate of the quantity of apparel products required for each fashion season (i.e. spring/summer and autumn/winter). Such purchase projections are not legally binding and merely provide an indication of the quantity of apparel products required by our customer for each fashion season.

We generally do not enter into long-term agreements with our customers. Our transactions with our customers are effected by way of purchase orders placed by our customers with us.

We have entered into one long-term vendor agreement with one of our customers who is a department store operator in the US. Such agreement provides the general terms and conditions governing transactions between our Group and such customer and based on the advice of our US legal advisers, such terms and conditions are valid and enforceable under US federal law and the laws of the State of Texas. There is no minimum purchase commitment imposed on such customer, nor any price adjustment provisions. The pricing and credit terms are as stipulated in the relevant purchase orders placed by such customer with us. The salient terms of such agreement are as follows:

- **Contract period and renewal**: The agreement remains in effect until terminated by either party.

- **Termination:** The agreement may be terminated by either party by giving not less than 30 days' prior written notice (such notice must specify the effective date of termination).

- **Invoices**: Each shipment of apparel products to such customer should be accompanied by an invoice issued by us in a form satisfactory to customer.

- **Insurance**: In relation to apparel products which we procure for such customer, we are required to obtain and maintain, at our own expense and for a period of five years after delivery of such apparel products to such customer, product liability insurance relating to such apparel products in amounts of not less than US$2,000,000 for bodily injury and property damage liability for each occurrence and in the aggregate per policy year.

- **Product return**: Defective apparel products may be returned to us for (a) a refund of the relevant purchase price, (b) repair or (c) replacement, all at our own expense. Alternatively, defective apparel products may be repaired by such customer at our own expense.

We generally grant our customers a credit period of up to 75 days and they are generally required to settle their trade balances with us by telegraphic transfer or by letter of credit. When we determine the length of the credit period to be granted to new customers, we would usually take into account the scale of operations of the new customer and its overall profile based on public sources and industry intelligence. During the Track Record Period, there have not been any material fluctuations in the prices of the apparel products we procured for our customers, that was charged to our customers.

For some of our customers, we use an electronic data interchange system designated by such customers to receive their purchase orders and submit shipping documents and packing information.

Our sales to our top five customers accounted for approximately 88.7%, 84.9% and 84.8% of our total revenue for each of the three years ended 31 December 2013 respectively. Our sales to our largest customer accounted for approximately 28.8%, 33.8% and 29.3% of our total revenue for each of the three years ended 31 December 2013 respectively.

In order to reduce our reliance on our top five customers, we intend to seek orders from new customers by contacting representative(s) from potential new customers from whom we would like to obtain new orders. We also intend to instruct our US consultant who is based in New York to assist us in gathering market information on potential new US customers (based on which we would decide whether to approach the relevant potential new US customer(s)), and developing new relationships with potential new US customers, with an aim of expanding our base of US customers. Further, we intend to attend more fashion events which our Directors believe will enable us to market our Group and its apparel supply chain management services to, and also develop new business relationships with, potential new customers.

We also plan to diversify and expand our product offering by including cut-and-sewn knitwear and developing an increasing number of new product designs which incorporate novel concepts or ideas that are appealing to end consumers, with the intention that the cut-and-sewn knitwear and new product designs would help us attract new customers. Further, we also intend to diversify our base of third-party manufacturers by engaging third-party manufacturers which have the ability to produce the new apparel products which we intend to include in our product offering.

None of our Directors, or their associates, or any of our Shareholders, who, to the knowledge of our Directors, owns more than 5.0% of the issued share capital of our Company, had any interest in any of our top five customers during each of the three years ended 31 December 2013. Our Directors confirm that our top five customers during the Track Record Period are Independent Third Parties.

The following table sets out a breakdown of our revenue by geographical location of the final shipment destination of the apparel products we procured for our customers for each of the three years ended 31 December 2013:

Location of final shipment destination of the apparel products	For the year ended 31 December					
	2011		2012		2013	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
US	606,583	91.0	418,900	90.4	491,639	88.6
Canada	20,780	3.1	15,082	3.3	19,896	3.6
Netherlands	18,178	2.7	9,066	2.0	11,485	2.1
Hong Kong	9,368	1.4	5,646	1.2	3,623	0.7
UK	2,164	0.3	8,180	1.8	13,858	2.5
Others*(Note)*	9,666	1.5	6,694	1.3	14,088	2.5
Total	**666,739**	**100.0**	**463,568**	**100.0**	**554,589**	**100.0**

Note: During the Track Record Period, we procured apparel products for our customers with the final shipment destinations of such apparel products including, but not limited to, Australia, Brazil, China, Cambodia, Indonesia, Japan, Korea, Mexico, Taiwan, Singapore, Thailand, Spain, France, Germany, Turkey and United Arab Emirates.

During the Track Record Period, over 88% of our revenue was generated from apparel products shipped to the US. See "Regulations – Regulatory requirements in the US" for details on the US laws and regulations which are applicable to our business. As advised by our US legal advisers:

- under US trade laws, the US Customs and Border Protection will normally first look to the importer of record (the importer of record is usually our US customers) as the party primarily responsible for compliance with US trade laws. As at the Latest Practicable Date, we were not usually considered as the importer of record. However, persons in the apparel supply chain other than the importer of record (such as our Group or third-party manufacturers) may have liability under US trade laws depending on the facts and circumstances at hand;

- under US product safety and liability laws, the US enforcement agencies require US retailers or importers to act as the parties primarily responsible for compliance with such laws. However, applicable legislation requires these US retailers or importers to verify that other parties in the supply chain (such as foreign suppliers or manufacturers or domestic distributors) also comply with the applicable US product safety and liability laws. US buyers would usually contractually require foreign parties to comply with these laws because the US buyers cannot sell the goods without such compliance; and

- in terms of the applicable US intellectual property laws, our Group would be responsible for compliance with such law if our Group is the creator of the relevant intellectual property.

Under our agreements with some of our US customers, we have contractually agreed to ensure that the US trade laws, product safety and liability laws and intellectual property laws are complied with. In addition, under our agreements with some of our US customers, we have agreed to indemnify such US customers against losses or liabilities arising from violation of trade laws, defective products or infringement of intellectual property rights relating to the apparel products we procure for such US customers. In this regard, we have adopted and implemented the following measures to monitor and ensure on-going compliance of the US trade laws, product safety and liability laws and intellectual property laws:

- we have designated staff to check that the information on the documents we create and submit to our customers in the US, such as invoice and packing lists, are adequate and complete so as to assist our customers to comply with the US trade laws according to their instructions as importers of record, and we keep proper records of the same;

- we set out in our social compliance programme that our staff must not place orders with a third-party manufacturer if we discover that child labour is used and we conduct unannounced checks on third-party manufacturers covering labour and safety aspects;

- we will seek legal advice when issues concerning whether we may have liability under US trade laws arise and instruct legal advisers to organise trainings for our staff where necessary;

- we have implemented an internal quality control system to ensure that the products we procure for our customers meet and conform to their required specifications, including making samples according to customers' specifications for customers' review, obtaining customers' approval on product samples before accepting their orders, setting out written requirements for the third-party manufacturers to comply with in manufacturing the products and we will require our staff to attend relevant trainings on products we procure for our customers that meet and conform to their specifications from time to time;

- we have entered into non-disclosure agreements with our design staff which contain provisions on the manner in which trade secrets should be treated, and the agreements we enter into with the third-party manufacturers also contain provisions of such nature; and

- we have not used our trademark in the US on the products we procure for our customers, and we would seek our customers' approval before we use or handle their products bearing their trademarks.

PRODUCT RETURN POLICY

We provide certain warranties as to the quality of the apparel products we procure for our customers. Our product return policy for defective goods supplied to our customers is usually governed by the agreements which we enter into with our customers. In general, we will have to bear the costs for the return of the products to us. Depending on the terms of the relevant agreement, we may then offer a refund to the customer, or repair or replace the defective goods.

During the Track Record Period, we had no incidents of returned apparel products and approximately 47 incidents of product liability claims and the costs relating to such incidents in total amounted to approximately HK$2.3 million. The circumstances which gave rise to such incidents of product liability claims included a range of product and packaging defects, including mould spots, incorrect patterns, quality defects and incorrect outer packaging. Except for one customer who is not our top five customer during the Track Record Period, all customers who made product liability claims during the Track Record Period have continued to place orders with our Group after such claims were made. Our Directors believe that the one customer did not continue to place orders with our Group as the regions in which our third-party manufacturers are based did not suit its business plan.

If our customer receives a defective product complaint from an end consumer, our customer would either (i) refer the end consumer to us and we would directly negotiate with, and (if necessary) make settlement to, the end consumer, or (ii) directly negotiate with, and (if necessary) make settlement to, the end consumer and then deduct the settlement amount from amounts payable by such customer to us. When we receive a defective product complaint, we would usually conduct an investigation to ascertain the cause of the defect and may seek compensation from the third-party manufacturers if they are at fault. Otherwise, we would usually bear the costs arising from such defective product complaint. Under our agreements with some of our US customers, our Group agreed to indemnify such US customers against losses or liabilities arising from product liability claims, and therefore, in general, had assumed the risk of product liability for apparel products which we procure for such US customers.

SUPPLIERS

Our suppliers consist of (i) third-party manufacturers which manufacture apparel products for our customers and (ii) suppliers of raw materials (such as fabric, buttons, threads and zippers). We have cooperated with our top five suppliers for over three years. During each of the three years ended 31 December 2013, we engaged 37, 32 and 27 third-party manufacturers respectively and about 185, 175 and 145 suppliers of raw materials respectively. For details of the salient terms and conditions (including payment terms) upon which we engage our suppliers of raw materials and third-party manufacturers, see "— Apparel supply chain management services — Sourcing of raw materials" and "— Apparel supply chain management services — Third-party manufacturers" respectively.

Our five largest suppliers, comprising third-party manufacturers, accounted for approximately 59.9%, 58.8% and 65.0% of our total cost of sales for each of the three years ended 31 December 2013 respectively. Our largest supplier, a third-party manufacturer, accounted for approximately 22.1%, 13.8% and 15.9% of our total cost of sales for each of the three years ended 31 December 2013 respectively.

None of our Directors, or their associates, or any of our Shareholders, who, to the knowledge of our Directors, owns more than 5.0% of the issued share capital of our Company, had any interest in any of our top five suppliers during each of the three years ended 31 December 2013. Our Directors confirm that our top five suppliers during the Track Record Period are Independent Third Parties.

QUALITY CONTROL

Our production and quality control department

As at the Latest Practicable Date, our production and quality control department comprised 27 staff stationed in Hong Kong, Cambodia, Bangladesh and Shenzhen, the PRC. The department is led by Mr. Ng Ho Ching, our quality control manager, who has over 25 years of experience in the apparel industry, including the field of quality control and oversees the quality control aspects of our operations. Mr. Ng is responsible for setting the quality control standards that the apparel products to be procured for our customers should satisfy and providing training to the staff of the third-party manufacturers. We have local production and quality control departments consisting of staff responsible for quality control of raw materials, and staff responsible for quality control of product samples, semi-finished apparel products and finished apparel products. The following table shows the number of staff responsible for quality control in each relevant office, as at the Latest Practicable Date:

Office	Head of quality control in the relevant office	Professional qualifications and experience	No. of staff in our production and quality control department
Hong Kong and Macao	Ng Ho Ching (吳浩清)	He has over 25 years of experience in the apparel industry, including the field of quality control.	6
Bangladesh	Abdul Rabban	He has over 10 years of experience in the field of quality control.	4
Shenzhen, the PRC	Huang Caiyin (黃彩銀)	She has over 10 years of experience in the field of quality control. She has been a Factory Certified Auditor for Final Inspection since June 2011.	5
Cambodia	Hui Wai Kit (許偉傑)	He has over two years of experience in the field of quality control and has been working in our Group for over eight years.	12

We maintain a comprehensive quality control programme for the apparel products to be procured for our customers, from the pre-production stage through to finished goods manufactured by third-party manufacturers. We aim to not only maintain, but enhance our quality control procedures to achieve our objectives of (i) reducing costs and (ii) reducing the defective rates of the apparel products to be procured for our customers us and levels of wastage.

Quality control of fabric

We have adopted a fabric team manual which sets out guidelines on our quality control process, roles and responsibilities of different team, parameters of different tests and requirements for different fabrics for our fabric quality and merchandising staff to adhere to.

Our merchandising team or fabric team will send the fabric requirements to our fabric supplier. Our fabric supplier will first produce a small batch of fabric swatches and sample yardage to determine preliminarily on whether the specific colour and other specific requirements can be met. After that, fabric suppliers will provide us with an internal test report, detailing the fabric's characteristics, origin details, yarn details, torque and tear strength and other physical properties using the sample yardage provided, we make samples for our customers. We would then place an order for fabric with the fabric supplier if the order is confirmed by the customer. We will usually send our fabric quality control staff conduct on-site visits. During these visits our fabric quality control staff will conduct inspection on fabric rolls by touch, visual inspection, weight, fabric structure or pattern, fabric construction, yarn size, performance finishing and end use viability. We inspect the fabric rolls and grade the defects of fabrics under the use the Four-Point System. Our fabric team manual sets out clearly the required points for acceptance for shipment, the penalty points for different defects, the sampling quantity and the point-count formula. We require our fabric team manual to accept the fabric rolls only if the inspected rolls reach the acceptable limit of points under the Four Point System.

If the fabric rolls are accepted for shipment, we will instruct the fabric supplier to arrange delivery of the fabric to the third-party manufacturer. We require our fabric suppliers to send us packing lists before shipment. Upon receipt of the fabric, the third-party manufacturer will carry out their own inspection test on the fabric and send the test results to our fabric quality control staff. If we are satisfied that the fabric meets our quality standards at this stage, we will instruct the third-party manufacturer to start manufacturing the apparel products.

Quality control of trims

Our merchandising department carries out the next stage of quality control on the other major components used in the apparel products: threads, interlining and buttons. We only accept threads of suitable yarn count and strength for use in the apparel products. We carry out tests on the basis of strength, colour change, durability and effects on the threads of washing with denims. In addition, we look for no thread loops or broken stitches in the apparel products. For the interlining, we carry out our own tests including a fusing test, to ensure that the bond strength of the interlining is strong enough even in bulk orders. For buttons, we carry out a pulling gauge test to ensure that the button is safely attached to the apparel product. For all three types of trims, suppliers are welcome to provide their own test reports, but we will carry out our own tests regardless.

Quality control of apparel production

Quality control in respect of the production of apparel products starts from the evaluation of potential third-party manufacturers' production facilities where any deficiencies must be rectified or upgraded to our satisfaction before we place orders. We then make product samples and carry out a "best time study" on our sewing operations to find a viable way to meet the desired output of the relevant order efficiently and decide on a production method. We hold a pre-production meeting to ensure that all relevant parties are aware of the focus on quality control. During our testing of the product samples, we carry out inspections on the product samples at various stages of the production process using different inspection methods. We then carry out tests on wash items, adjusting the wash formula if necessary. There is then an inspection on the effects of ironing on the product samples and an inspection on the sample packaging. After the third-party manufacturer starts manufacturing the apparel products, our merchandising quality control staff will arrange for the first batch of finished products to be tested by independent laboratories specified by customers. Our merchandising quality control staff will also inspect the apparel products by touch and sight. If the apparel products fail to pass the quality control tests at this stage, we will normally communicate with the customer to consider the reasons for failure: if the failure is a quality issue, such as low colourfastness, then the customer will usually ask for improvements, such as adding colourfastness properties, to be made before we carry out the same quality control tests. If we are satisfied that the fabric meets our quality standards at this stage, we will instruct the third-party manufacturer to continue manufacturing the rest of the

customers' order and our production team will prepare a packing list to be sent to our customers. Two final tests are carried out on the finished product samples. Quality control inspections on finished apparel products are either carried out by our quality control staff, or by an independent external inspector appointed by our customers. Our quality control of finished apparel products is based on the AQL standard and we carry out inspections of apparel products based on standardised AQL tables used in the apparel industry. The AQL standard refers to the maximum number of defects that could be considered acceptable during the random sampling of an inspection. For the purpose of carrying out inspections of apparel products based on the AQL standard, a sample of apparel products is taken depending on how many items there are in total. Using this sample size, we ascertain how many items have defects and match this against the AQL tables which show the acceptable level of defects. This quality control system allows for a relatively small number of minor defects in a given number of apparel products from a third-party manufacturer and is based on our acceptance that the third-party manufacturers are unlikely to be able to produce apparel products that have zero defects.

MARKETING AND PROMOTION

Whilst we do not have a designated marketing department, all of our Directors and department heads are encouraged to market and promote the apparel products to be procured for our customers by us. We generally do not invest in advertising services, nor do we offer incentives to our merchandising department for attracting new customers. Instead, we invest our resources in building on existing customer relationships and offer incentives such as producing product samples for potential customers. We believe that this approach has served us well and through the years, we have been able to build up a network of customers, a number of which we have established a long-term relationship with due to our reputation and reliable services.

INFORMATION SYSTEM

We have developed our own proprietary ERP system through which we effectively monitor and control our apparel supply chain management services, from the initial stages of brainstorming with our customers' product design ideas, to providing advice and input to our customers regarding the latest fashion trends and styles, to producing product samples for our customers' consideration, to approval of such product samples by our customers, to the placing of orders by our customers, to determining the price and volume of raw materials required, and to the delivery of apparel products to our customers' respective designated warehouses or designated shipping points. Through such effective monitoring and control of our apparel supply chain management services, we are able to meet the needs of our customers in an efficient manner.

Our ERP system is used throughout our apparel supply chain management process. Each stage of the process is recorded on our ERP system so that our management team and staff have ready access to information relating to our business operations. Throughout the entire apparel supply chain management process up to the delivery of finished apparel products, our ERP system has a number of checkpoints where authority must be granted by our senior staff before an order can progress to the next stage. These checkpoints enable us to have control over the apparel supply chain management process and our financial data.

The checkpoints were set up at key stages of the apparel supply chain management process that would have an adverse impact on our profit margin if an error were to occur at any of such stages. Such stages include the approval of product samples, approval of laboratory test results, checks carried out on delivery of fabrics and trims to the third-party manufacturers, production commencement dates and shipment dates. The completion of each stage must be entered onto our ERP system before an invoice can be issued to the relevant customer. We believe that this helps us to ensure that each stage is completed and that such completion is recorded.

LOGISTICS

During the Track Record Period, the raw materials (including fabric, buttons, threads and zippers) used in the manufacture of the apparel products we procured for our customers were mainly sourced from suppliers based in the PRC and Hong Kong. We, or we (on behalf of the third-party manufacturer), or the third-party manufacturer would source suitable raw materials from suppliers to cater to our customers' needs. The raw materials sourced are either (i) delivered directly by the supplier to the relevant third-party manufacturer (in which case the transportation costs incurred for such delivery are borne by the supplier) or (ii) first delivered by the supplier to our storage facility in Hong Kong or our warehouse in Shenzhen, the PRC and consolidated before they are delivered to the third-party manufacturer to reduce transportation costs (in which case the supplier is only responsible for the transportation costs incurred for the delivery of the raw materials to our storage facility in Hong Kong or (as the case may be) our warehouse in Shenzhen, the PRC and we would be responsible for the transportation costs incurred for the delivery of the raw materials from such storage facility or (as the case may be) warehouse to the third-party manufacturer). Finished apparel products are packed according to our customers' specifications and are transported from the third-party manufacturer to our customers' designated warehouses or designated shipping points. Delivery costs for finished apparel products are included in the purchase price of finished apparel products payable by our customers.

INVENTORY CONTROL

Our business model does not require us to maintain high levels of inventory. During the Track Record Period, our inventory consisted of raw materials (including fabric and trims (such as buttons and threads)) used for the production of apparel products, work in progress and finished goods. (For further details regarding such raw materials, work in progress and finished goods, see "Financial Information — Critical accounting policies and estimates — Inventories".)

During the Track Record Period, we occupied a storage facility in Hong Kong under lease. During the two years ended 31 December 2012 and up to 31 January 2013, we occupied a warehouse in Shenzhen, the PRC .

During the Track Record Period, our storage facility in Hong Kong was used to store raw materials consisting of trims (such as buttons and threads) that were sourced and purchased by us from suppliers and first delivered by the suppliers to such storage facility in Hong Kong and consolidated before they were delivered to the third-party manufacturers.

During the two years ended 31 December 2012 and up to 31 January 2013, our warehouse in Shenzhen, the PRC was used to store raw materials consisting of trims (such as buttons and threads) and fabric that were sourced and purchased by us from suppliers. Such raw materials were delivered to either the Contract Processing Factory or the third-party manufacturers in the PRC.

We are able to manage our inventory levels by procuring the majority of raw materials only after we receive confirmation from our customers that they would like to place an order with us. This allows us to have a better understanding of the amount of raw materials required for a particular order and as a result, the possibility of having either a shortage or an excess of raw materials is low. We manage and control the level and ages of our inventory through our ERP system to minimise wastage.

For each of the three years ended 31 December 2013, our average inventory turnover days are 36, 53 and 73 respectively.

COMPETITION

According to the commissioned report from the Industry Expert as further disclosed in "Industry Overview", there were an estimated 516 apparel supply chain managers in China in 2013. This is an

increase in the number of apparel supply chain managers from an estimated 280 apparel supply chain managers in 2008. We believe that we face competition mainly from other regional apparel supply chain managers, which may possess different competitive strengths. Our Directors believe that we compete on the strength of our reputation, quality assurance, trust with our customers, the wide reach of our third-party manufacturer network and our proven record of efficiently managing the apparel supply chain.

Our Directors are of the view that our Group also competes with apparel supply chain service providers that enlist and utilise online platforms such as business-to-business commerce platforms and manufacturers which have engaged in vertical integration to include design, logistics and other services. Our Directors believe that we and our service portfolio are more attractive to those customers that are looking to consolidate vendor base and streamline sourcing functions by cooperating and building up long-term and sustainable relationship with a trusted apparel supply chain manager with capabilities to provide flexible, quality and integrated services.

Our Directors consider that the field of apparel supply chain management services is an area of growth and many new competitors will be attracted to the market in the future as more and more international apparel retailers and owners or agents of brands seek to benefit from the lower manufacturing costs in Asia. Our Directors believe that we are in a strong position to compete with both existing and new competitors based on our experience and expertise in the apparel industry, our established relationships with third-party manufacturers in a number of different countries and the trust that we have established with a number of our customers.

EMPLOYEES

As at the Latest Practicable Date, we employed 254 full-time employees worldwide. The following table shows a breakdown of our employees by office and departments as at the Latest Practicable Date:

Hong Kong office

Department	Number of employees
General management	5
Finance	7
Human resources and administration	6
Information technology	2
Merchandising	10
Product design and development	5
Production and quality control	4
Sample room	1
Shipping	4
Total	44

Macao office

Department	Number of employees
Finance and administration	2
General management	2
Production and quality control	2
Total	6

Shenzhen office

Department	Number of employees
Fabric	9
Finance	5
Human resources and administration	11
Information technology	4
Merchandising	46
Product design and development	6
Production and quality control	5
Sample room	66
Shipping	6
Warehouse	1
Total	159

Cambodia office

Department	Number of employees
Finance and administration	5
Human resources	1
Information technology	1
Merchandising	9
Production and quality control	12
Sample room	7
Shipping	1
Warehouse	2
Total	38

Bangladesh office

Department	Number of employees
Finance and administration	1
Merchandising	2
Production and quality control	4
Total	7

The remuneration packages of our employees include salary and annual leave. We generally provide accident insurance, and where necessary, travel insurance for our employees. We generally maintain mandatory pension contribution plans, medical, maternity, unemployment and/or work-related injury insurance schemes for our employees.

To help achieve our business objectives, we recruit creative and highly skilled professionals who are customer-orientated, innovative and efficient. We provide our staff with occupational safety education and training from time to time to enhance their awareness of safety issues. We also provide training on the quality of apparel products to our staff in our production and quality control department. To encourage employees to improve their skills, we provide allowances for on-the-job training to certain eligible employees.

Our Directors confirmed that during the Track Record Period, we did not have any material disputes with our employees, we did not experience any difficulty in recruiting suitable staff for our operations, and we did not experience any strikes, labour disputes or industrial actions which may have a material adverse effect on our business, financial condition and results of operations.

LABOUR SAFETY

Pursuant to national and local health and safety laws and regulations in the PRC, we are required to provide our employees with a safe working environment, which includes providing adequate protective clothing and gear, providing occupational safety education and training and having dedicated safety management personnel. We also conduct regular inspection and maintenance checks on our equipment in our sample room in Shenzhen, the PRC to ensure they are in compliance with the applicable national and industrial standards in respect of their design, installation and use.

During the Track Record Period and up to the Latest Practicable Date, none of our employees had been involved in any major accident in the course of their employment and we had complied with applicable national and local health and safety laws and regulations in all material respects. The relevant PRC authorities have not imposed any sanctions or penalties on us for incidents of non-compliance with any health and safety laws or regulations in the PRC.

INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, we owned one registered trade mark (namely,

) in Hong Kong which was registered under class 25 and 35 with the Trade Marks Registry in Hong Kong on 4 November 2004 (the expiry date of which is 3 November 2014). We intend to apply for the renewal of the registration of such trade mark in June 2014. In addition, as at the Latest Practicable Date, we had registered the following domain names: **www.hanbo.com**, **www.hanbo-mco.com** and **www.hanbo.com.hk**.

For further details of our intellectual property rights, see "B. Further information about our business — 2. Intellectual property rights of our Group" in Appendix IV to this document.

As at the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by any third party or (ii) by any third party of any intellectual property rights owned by our Group. Our Directors confirm that as at the Latest Practicable Date, we were not aware of any pending or threatened claims against any member of our Group relating to the infringement of any intellectual property rights owned by third parties.

PROPERTIES

Owned premises

As at the Latest Practicable Date, we owned a property situated at Workshop A, 9/F Tontex Industrial Building, 2 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong. We use such property as our office premises.

Leased premises

As at the Latest Practicable Date, we leased a total of 10 properties in Hong Kong, PRC, Macao, Cambodia and Bangladesh, which we use as office premises or dormitories for our employees. The terms of our office leases typically range from one year to four years. The terms of our dormitory leases are typically for one year.

Our Directors confirmed that all of our current leases were negotiated on an arm's length basis with reference to the prevailing market rates and/or other factors. Save as disclosed in "— Non-compliance incidents", as at the Latest Practicable Date, we had complied with all the applicable laws in respect of our leased properties in all material respects.

ENVIRONMENTAL MATTERS

We are subject to national and local environmental laws and regulations in the PRC. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge. During each of the two years ended 31 December 2012, some of the apparel products we procured for our customers were manufactured in-house at the Contract Processing Factory in Shenzhen, the PRC , but we have ceased such in-house production of apparel products at the Contract Processing Factory since April 2012. We currently outsource the manufacturing function to various third-party manufacturers and our sample room in Shenzhen, the PRC is only used for producing product samples for our customers' consideration. Our Directors confirm that such past in-house production and current production of product samples did not result in the discharge of any industrial waste water or gas or solid waste. We are therefore not subject to any environmental risks and are in compliance with all applicable PRC environmental laws and regulations.

During the Track Record Period and as at the Latest Practicable Date, we have not been fined for breaching applicable environmental laws and regulations in the countries where our operating subsidiaries are located. Our Directors confirm that they are not aware of any incident where any of the third-party manufacturers engaged by us was in breach of any environmental laws or regulations. In the year ended 31 December 2013, we spent RMB 30,000 on costs relating to compliance with applicable environmental laws and regulations, including costs for the obtaining of environmental approvals.

INSURANCE

For our Hong Kong operations, we maintain insurance covering risks including office insurance, property insurance, group accident, group travel and fire.

For our Cambodia operations, we maintain insurance covering risks including group health insurance.

We maintain marine cargo insurance to cover the shipment of raw materials to our third-party manufacturers, which we purchase for each individual shipment.

We maintain product liability insurance to cover claims that may arise from personal injury as a result of using the apparel products we procured for our customers of a minimum amount ranging from US$500,000 to US$2,000,000.

We believe that our insurance coverage is adequate for our operations and in line with industry practice. As at the Latest Practicable Date, we had not made, nor been the subject of, any material insurance claim.

AWARDS

We have been given the following awards for our apparel supply chain management services:

Awards/Certificates	Year	Issuing organisations
• Outstanding Performance Award	2000/2003	A large and well-known US department store company which sells various products including apparel products, footwear, accessories, bedding, furniture, beauty products and housewares
• Outstanding Sales and Gross Profit Performance Award	2006	A large and well-known US department store company which sells various products including apparel products, cosmetics, electronics, footwear, furniture and housewares
• Award of Commitment of Ethical Sourcing	2006	A US specialty retailer of private branded, sophisticated, casual-to-dressy apparel products, intimates, complementary accessories and other non-clothing gift items
• Outstanding Sales, Margin & Quality Performance Award	2007	A large and well-known US department store company which sells various products including apparel products, cosmetics, electronics, footwear, furniture and housewares
• Partner Award of Excellence	2007	Target Corporation
• Supplier Award of Excellence	2008/2009	Target Corporation
• Outstanding Sales Performance Award	2008	A large and well-known US department store company which sells various products including apparel products, cosmetics, electronics, footwear, furniture and housewares

LICENCES AND PERMITS

Based on the advice of our legal advisers as to PRC, Macao, Cambodian, Bangladeshi and Hong Kong laws, we have obtained all material requisite licences, approvals and permits from the relevant governmental authorities for our business operations in the PRC, Macao, Cambodia, Bangladesh and Hong Kong, respectively.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, we were involved in one on-going litigation, details of which are set out below:

Nature of claim	Particulars of the claims	Status	Total claim amount
Hanbo Enterprises HK being a defendant in a breach of contract claim by a fabric supplier.	The plaintiff is claiming for payment of 11 unpaid invoices, 10 of which were issued in 2006 and one of which in 2009.	We filed a defence on 14 July 2012 and the plaintiff filed a reply on 14 August 2012. A pre-trial review was conducted on 3 April 2014 and the trial of the case is scheduled to be heard from 9 to 14 July 2014.	The claim is for approximately US$303,000 plus interests and costs of action.

The claim arises from the alleged breach of contract of Hanbo Enterprises HK in failing to settle the above-mentioned invoices where the goods under such invoices were allegedly delivered to Hanbo Enterprises HK.

We confirm that the goods under the above-mentioned invoices were received by us. It is stated in Hanbo Enterprises HK's defence to the legal proceedings that most of the invoices were set off against previous payments made by Hanbo Enterprises HK to the fabric supplier for goods supplied which turned out to be defective and that for the remaining invoices, either Hanbo Enterprises HK is not liable to pay the invoice, or the fabric supplier would bear the costs of defective goods under the relevant invoices.

Pursuant to the Deed of Indemnity, each of our Controlling Shareholders has agreed to indemnify our Group on a joint and several basis, against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings against any member of our Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of our Group prior to the **[REDACTED]**, including the litigation disclosed above. For further details of the Deed of Indemnity, see "F. Other information — 1. Deed of Indemnity" in Appendix IV to this document. As we currently intend to continue to contest the case, no provision has been made in the financial statements of our Group in respect of our liabilities, if any, arising therefrom.

As at the Latest Practicable Date, save as disclosed above, we were not aware of any litigation, arbitration or claim of material importance against us or our Directors, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, or our Directors that would have a material adverse effect on the results of our operation or financial condition.

NON-COMPLIANCE INCIDENTS

During the Track Record Period, we failed to comply with certain applicable laws and regulations, a summary of which is set out as follows:

No.	Non-compliance incident(s)	Relevant laws and regulations and maximum penalty	Reason(s) for non-compliance	Rectification actions	Any impact on our Group
	Hong Kong				
1.	The respective audited financial statements which were presented before Hanbo Enterprises HK at its annual general meeting in 2007, before Goodeed at its annual general meeting in 2010 and before Superbo Trading at its annual general meeting in 2012 were made up to a date which was more than nine months before the respective dates of the meetings. These were in breach of section 122 of the Predecessor Companies Ordinance.	For non-compliance with section 122 of the Predecessor Companies Ordinance, the maximum penalty is a fine of HK$300,000 and imprisonment for 12 months to which the director of the company who fails to take all reasonable steps to comply with the section shall be liable.	The omission occurred inadvertently due to reliance on the then external service providers engaged by the relevant companies for accounting and company secretarial matters which failed to advise the relevant companies appropriately on the ongoing compliance requirements under the Predecessor Companies Ordinance.	An application was made to the Court of First Instance of the High Court of Hong Kong on 27 March 2014 seeking an order of the court to extend the statutory period in respect of the relevant financial statements of Hanbo Enterprises HK, Superbo Trading and Goodeed. A hearing will take place on 13 August 2014 (the "**Hearing**"). As at the Latest Practicable Date, a judgment of the High Court of Hong Kong or additional directions from the Judge, as the case may be, is still pending following the Hearing. We will disclose the status of the rectification in the interim and/or annual reports, as the case may be. We have implemented a set of internal control policies in relation to compliance with the requirements of holding annual general meeting and laying of accounts. See "— Non-compliance incidents — Internal control measures". No provision has been made in the financial statements of our Group in respect of our liabilities, if any, arising from the non-compliance with section 122 of the Predecessor Companies Ordinance as the non-compliance is covered by the Deed of Indemnity.	No material adverse impact on our Group as a whole as our Directors have been advised that there is a reasonably good chance that the court would accede to the application. As advised by the legal counsel in relation to the above application, Ms. Law Wai Shan Deanna, a barrister-at-law in Hong Kong (the "**Counsel**"), there is a reasonably good chance that the Court would accede to the applications and it is relatively unlikely that the companies or its directors would be prosecuted for any relevant contraventions for the reasons that the contraventions are technical in nature and minor in terms of gravity, as there was evidence to show that there was only one year of default for each company, the contraventions are likely to have been due to inadvertence, the directors had taken all reasonable steps to comply with section 122, and there is no prejudice to the then relevant shareholders. Notwithstanding the above, the Counsel is of the view that any penalty, in the unlikely event that a prosecution is brought, any fine imposed will likely be on the low side (as mitigating factors exist) and custodial sentence is extremely unlikely (as there is no evidence to suggest the directors deliberately chose not to comply with the requirements in section 122).

No.	Non-compliance incident(s)	Relevant laws and regulations and maximum penalty	Reason(s) for non-compliance	Rectification actions	Any impact on our Group
	PRC				
2.	We did not make social insurance fund contributions and housing provident fund contributions in full as required by the relevant PRC laws and regulations for our employees during the Track Record Period.	According to the Social Insurance Law (社會保險法) of the PRC (the "**Social Insurance Law**"), we are required to participate in the relevant social insurance contribution plans organised by the relevant local governmental bodies. We are required to make full contributions in respect of social insurance premium for our employees, covering pension insurance, medical insurance, unemployment insurance, work-related injury and maternity (where applicable). Since 1 July 2011, for any non-compliance incident that occurred after 1 July 2011, according to the Social Insurance Law, the social insurance authorities are entitled to order employers contravening the law to pay the outstanding social insurance and impose a late charge of 0.05% and a fine ranging from one to three times of the outstanding social insurance for all five types of social insurance. According to the Regulations on Management of Housing Provident Fund (住房公積金管理條例), we are required to register with the competent housing provident fund management centre and make contributions to the housing provident funds for our employees.	During the Track Record Period, some of our employees were reluctant to make contributions on their part and we made contributions based on local minimum wage instead of actual wages which is required by law.	On 25 March 2014, we obtained a written confirmation from the Social Insurance Bureau of Shenzhen confirming that no administrative penalty was imposed on us for violating the laws and regulations for social insurance for the period from 1 August 2012 (the date on which the relevant social fund account was opened) to 28 February 2014. On 25 March 2014, we obtained a written confirmation from the Housing Provident Fund Management Centre of Shenzhen, the competent and responsible authority confirming that from May 2012 to March 2014 we had not been penalised for violating laws and regulations by the Housing Provident Fund Management Centre of Shenzhen. We have been in compliance with the relevant regulations in relation to the social insurance since January 2014 and housing provident fund since July 2013. As advised by our PRC Legal Advisers, the Social Insurance Bureau of Shenzhen and the Housing Provident Fund Management Centre of Shenzhen have the authority and are competent to issue the above confirmations. Our PRC Legal Advisers are of the view that the confirmations obtained will not be	No material adverse impact on our Group given the written confirmations obtained and that we have been in compliance with the relevant requirements in relation to social insurance since January 2014 and housing provident fund since July 2013.

No.	Non-compliance incident(s)	Relevant laws and regulations and maximum penalty	Reason(s) for non-compliance	Rectification actions	Any impact on our Group
				challenged or revoked by higher authorities. Our Directors have assessed that the unpaid amount of contributions to the social insurance and housing provident fund were approximately HK$2.1 million and HK$1.4 million, respectively, as at 31 December 2013. As at the Latest Practicable Date, our Group has not received any orders or demands from the relevant government authorities requesting our Group to pay the unpaid social insurance and housing provident fund amounts. We have implemented a set of internal control policies relating to compliance with the requirements of social insurance fund and housing provident fund. See "— Non-compliance incidents — Internal control measures". Although the non-compliance is covered by the Deed of Indemnity, for prudence sake, provision for the unpaid amount has been made in the financial statements of our Group in full. Our Directors considered that such amount of provisions are adequate and no additional provision had been made in the financial statements of our Group.	

No.	Non-compliance incident(s)	Relevant laws and regulations and the penalty	Reason(s) for non-compliance	Rectification actions	Any impact on our Group
3.	As at the Latest Practicable Date, the lease agreements in respect of three properties we leased in the PRC have not been registered with the relevant PRC government authorities.	According to Article 52 of the Regulations of Shenzhen Special Economic Zone(深圳經濟特區房屋租賃條例), a property which is leased must be registered and lessees contravening the law shall be penalised with a fine of an amount equivalent to 10.0% of the total rental amount as agreed in the lease agreement.	Registration of lease agreements requires the submission of certain documents of landlord and tenants, including their identity documentation, to the relevant authorities and therefore, registration is subject to cooperation of landlords or tenants which is not within our control.	We have endeavoured to rectify the non-compliance incident by actively liaising with the landlords to provide the necessary documentation for registration. Our PRC Legal Advisers have advised us that the lack of registration of a lease will not affect the legality, validity or enforceability of a lease agreement. During the Track Record Period and at the Latest Practicable Date, we had not been ordered by any authorities to register the lease agreements within a certain period. We have implemented a set of internal control policies relating to compliance with our leased properties in the PRC. See "— Non-compliance incidents — Internal control measures". No provision has been made in our financial statements of our Group in respect of our liabilities, if any, arising from the non-compliance with the registration requirements as the non-compliance is covered by the Deed of Indemnity.	No material adverse impact on our Group even if we are ordered to pay 10.0% of the total rental amount as the total rental amount of each of the said leases is low.

No.	Non-compliance incident(s)	Relevant laws and regulations and the penalty	Reason(s) for non-compliance	Rectification actions	Any impact on our Group
4.	*Bangladesh* We did not complete registration of Hanbo Enterprises Bangladesh with the Registrar of Joint Stock Companies and Firms Bangladesh ("**RJSC**").	Under the relevant Bangladeshi laws, a foreign company operating in Bangladesh is required to register with the RJSC within one month of establishment of its principal place of business in Bangladesh. Such laws provide for a one-off fine of BDT1000 (approximately USD13) for breach of this provision and a fine of BDT500 (approximately USD6) for each day of continuous breach.	We are unfamiliar with the relevant registration requirements and were under the impression that a liaison office would not be subject to these registration requirements.	Upon being advised of the non-compliance, we took active measures by initiating the process for seeking registration at the RJSC. Such registration was completed on 24 April 2014. We sought legal advice and understand that a fine is usually not imposed and breaches are commonly waived by RJSC upon application to it. We have implemented a set of internal control policies relating to compliance with company registration requirements in Bangladesh. See "— Non-compliance incidents — Internal control measures". No provision in the financial statements of our Group has been made in respect of our liabilities, if any, arising therefrom as the non-compliance is covered by the Deed of Indemnity.	No material adverse impact on our Group even if we are ordered to pay the fine as the amount of fine is low.

Internal control measures

In order to ensure future compliance, we have taken additional internal control measures to improve our corporate governance and internal controls to ensure on-going compliance with applicable laws, rules and regulations, details of which are set out below:

1. We established the compliance committee comprising of two executive Directors and three Independent non-executive Directors, namely, Mr. Kao, Mr. Chung Kwok Pan, Mr. Ng Yuen Ming, Mr. Lai Kin Keung, and chaired by Mr. Liu CT, in June 2014, to oversee all regulatory and accounts-related compliance matters and corporate governance requirements. The primary functions of our compliance committee include, among others, reviewing and making recommendations to the Board in respect of our policies and practices on compliance with any requirement, direction or regulation that may be prescribed by the Board, contained in any of our constitutional documents, or imposed by the Listing Rules or other applicable laws, regulations, rules or codes; and ensuring that appropriate monitoring systems are in place to ensure compliance with the relevant internal control systems, processes and policies; and monitoring the implementation of our plan to maintain high standards of compliance with our own risk management standards.

2. In order to further ensure our compliance with relevant statutory requirements, we will engage external professional advisers, such as authorised person, company secretarial service providers, consultancy firms, auditors and external legal advisers to render professional advice so as to comply with statutory requirements (including the Companies Ordinance, PRC and Bangladesh rules and regulations and the Listing Rules) as applicable to our Group from time to time, to prevent any recurrence of any similar non-compliance with the Companies Ordinance.

3. We have appointed Quam Capital in March 2014 as our compliance adviser upon **[REDACTED]** to advise our Company on compliance matters in accordance with Rule 3A.19 of the Listing Rules.

4. Our Directors have attended training sessions in March 2014 conducted by our Hong Kong legal advisers on, among other things, ongoing obligations, general corporate governance requirements, the duties and responsibilities of directors of a company whose shares are listed on the Stock Exchange under applicable laws, rules and regulations, including but not limited to the Listing Rules and Companies Ordinance. Our Directors have provided confirmation in writing in relation to their understanding of their duties under the Listing Rules and other applicable laws and regulations.

5. We will provide our Directors, senior management and employees involved with training, development programmes and/or updates regarding the legal and regulatory requirements applicable to the business operations of our Group from time to time on a regular basis.

6. We will, from time to time, engage external legal advisers and seek legal advice on our legal matters relating to our Group.

7. We have adopted the following written procedures in relation to compliance with the requirements of the Companies Ordinance in March 2014:

   (i) Mr. Kao, an executive Director who serves on our compliance committee will work closely with our Board to oversee compliance matters of our Group to ensure compliance with the relevant provisions of the Companies Ordinance. Mr. Kao has joined our Group for about 10 years and is familiar with our operations. He is a Certified Public Accountant (CPA) and a Certified Financial Planner (CPE). For

Mr. Kao's biography, see "Directors and Senior Management — Directors — Executive Directors". He has attended training sessions conducted by our Hong Kong legal advisers on, among other things, statutory requirements for the laying of accounts under the Companies Ordinance; and

(ii) a checklist will be prepared and updated from time to time to record the details of all our Hong Kong subsidiaries, such as incorporation date, date of last annual general meeting and date of audited accounts. The checklist will be reviewed by Mr. Kao. Our company secretary and Mr. Kao will keep monitoring the date of the next annual general meeting. At least two months before the deadline for holding the next annual general meeting, our company secretary has to liaise with the company secretarial service provider and notify our accounting manager to contact the relevant auditors so as to ensure there is sufficient time to prepare the audited accounts to be laid before the annual general meeting.

8. We have adopted the following internal control measures in relation to compliance with the requirements of social insurance fund and housing provident fund in March 2014:

(i) we have designated Mr. Wong Ying, our office and compliance manager to be responsible for ensuring that we comply with the social insurance fund and housing provident fund contributions requirements under the relevant PRC laws and regulations for our employees, Mr. Wong Ying has joined us for over 10 years and has been involved in our human resources function in the PRC; and

(ii) in order to ensure timely contribution to the social insurance fund and housing provident fund in the future, our finance department will conduct monthly checking on our contribution payments based on actual wages withhold the employees' contribution account based on actual wages and contribute to relevant funds directly.

9. We have adopted the following written procedures relating to compliance with our leased properties in the PRC in March 2014:

(i) all lease or tenancy agreements will be reviewed by Mr. Wong Ying, our office and compliance manager under the supervision of the department head to ensure, among others, that so far as practicable all our lease and tenancy agreements are registered in compliance with the relevant laws and regulations; and

(ii) where necessary, external legal advisers will be instructed to provide professional advice; and

10. We have adopted the following internal control measures in relation to compliance with the requirements of RJSC in March 2014:

(i) we have engaged a Bangladesh law firm to provide us advice on legal and compliance issues relating to our Business; and

(ii) we have adopted a policy setting out the general compliance procedures which we should follow if we decide to set up a new office in other locations.

Indemnity by Controlling Shareholders

Pursuant to the Deed of Indemnity, each of our Controlling Shareholders has agreed to indemnify our Group on a joint and several basis, against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by our Group arising from any violation or non-compliance with

the laws, rules or regulations applicable to us prior to the **[REDACTED]**, including all such non-compliance incidents disclosed in "— Non-compliance incidents". For further details of the Deed of Indemnity, see "F. Other information — 1. Deed of Indemnity" in Appendix IV to this document.

Our Directors are satisfied that our Controlling Shareholders have sufficient financial resources to honour their obligations to provide indemnities in respect of the aforesaid non-compliances against our Group under the Deed of Indemnity.

Views of our Directors and the Sponsor

Having considered that (i) our Directors have been advised that there is a reasonably good chance that the court would accede to the applications regarding non-compliance incidents relating to the Predecessor Companies Ordinance; (ii) we have received the written confirmation from the Social Insurance Bureau of Shenzhen and Housing Provident Fund Centre of Shenzhen that we will not be required to make contribution for the unpaid social insurance and housing provident fund; (iii) the penalty which may be imposed on us for failing to register the leases in respect of the two PRC properties will not have substantial impact on our operation and financial position; (iv) as at the Latest Practicable Date, there has not been any prosecution initiated against us or any of the directors of our subsidiaries, nor has any of them been subject, to any fine relating to the non-compliance incidents; (v) we have implemented adequate and effective internal control measures as discussed in "— Non-compliance incidents — Internal control measures"; and (vi) each of our Controlling Shareholders has given us an indemnity covering the non-compliance incidents, our Directors are of the view that the non-compliance incidents are not expected to have any material adverse impact on our Group and our Directors. The Sponsor concurs with the view of our Directors.

The historical non-compliance incidents were mainly due to the inadvertent oversight of our Directors or a lack of comprehensive understanding of the relevant laws and regulations in the corresponding jurisdictions in the past. Considering that (i) the historical non-compliances are not expected to have any material adverse impact on our Group and our Directors; (ii) as confirmed by our Directors, the non-compliance incidents as disclosed above were unintended and wholly inadvertent and did not involve dishonesty nor fraud on the part of our Directors; (iii) the legal consequences and penalties of such non-compliance incidents were not material; (iv) our Company had taken remedial actions to rectify the historical non-compliances as discussed in "— Non-compliance incidents"; and (v) our Company has adopted various internal control measures to ensure future compliance with such rules and regulations, our Directors and the Sponsor are of the view that: (a) such incidents of non-compliance do not constitute a material adverse factor concerning the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and our Company's suitability for **[REDACTED]** under Rule 8.04 of the Listing Rules; and (b) the measures taken in response to the weaknesses identified above are adequate and effective to enhance the internal control of our Group.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the **[REDACTED]** and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme), Happy Zone and Mr. Cheng will be beneficially interested in **[REDACTED]**% and **[REDACTED]**% of the issued share capital of our Company respectively. Happy Zone is solely and beneficially owned by Mr. Liu YY. Mr. Liu YY will, therefore, through Happy Zone, control the exercise of the voting rights of **[REDACTED]**% of the issued share capital of our Company. Accordingly, Mr. Cheng, Happy Zone and Mr. Liu YY are our Controlling Shareholders for the purposes of the Listing Rules.

As at the Latest Practicable Date, save as disclosed below, none of our Controlling Shareholders was engaged, or interested, in any business which, directly or indirectly, competes or may compete with our business which is discloseable under Rule 8.10 of the Listing Rules.

OTHER BUSINESS INTERESTS OF OUR CONTROLLING SHAREHOLDERS

Set out below are the details of other business interests held by Mr. Cheng and Mr. Liu YY in Herotime BVI and its subsidiaries (collectively, the "**Herotime Group**").

As at the Latest Practicable Date, Mr. Cheng and Mr. Liu YY held 490 and 510 shares respectively in Herotime BVI, representing 49% and 51% respectively of the issued share capital of Herotime BVI, and Mr. Liu YY was the director of Herotime BVI. Notwithstanding that during the Track Record Period the businesses of both our Group and the Herotime Group fell within the apparel industry, given the differences in the nature of the business activities and targeted markets of the Herotime Group and our Group, there is a clear distinction and delineation in business between our Group and the Herotime Group. The Herotime Group did not and is not likely to compete, directly or indirectly, with our business, based on the factors and reasons set out below.

During the Track Record Period, the Herotime Group was principally engaged in apparel retail business which mainly focused on designing, procuring, marketing and retailing women's apparel products under the brand name, "Beautilook", in the PRC. Such products are high-end women's wear with contemporary designs which were sold directly to retail end consumers and generally target cosmopolitan women in the PRC. The brand name, "Beautilook", is owned by Action Win (which is beneficially owned as to approximately 98.32% by Mr. Liu YY through Othello Group Limited, as to approximately 0.83% by Mr. Liu CT and as to approximately 0.83% by Mr. Liu Chung Kan, a son of Mr. Liu YY). During the Track Record Period, we were principally engaged in the provision of apparel supply chain management services for woven wear (such as shirts, pants, jeans and jackets) and were not engaged in any apparel retail business. Such woven wear was procured by us for our customers comprising mainly well-known and reputable specialty stores, discount stores and department stores based mainly in the US. As the targeted markets of the Herotime Group and our Group are entirely different from one another, during the Track Record Period, there was no overlap between the customers of the Herotime Group and our customers.

In terms of the supply of raw materials, during each of the three years ended 31 December 2013, the number of suppliers of raw materials that (i) were engaged by us or (as the case may be) the third-party manufacturers to whom our customers' orders were allocated and (ii) were also engaged by the Herotime Group for the supply of raw materials for use in the apparel products sold by the Herotime Group, were only one, three and nil, respectively. Apart from this, during the Track Record Period, there was no overlap between the suppliers of raw materials engaged by the Herotime Group and those engaged by us or (as the case may be) the third-party manufacturers to whom our customers' orders were allocated. Our Directors consider that such minimal overlapping of suppliers of raw materials is insignificant and hence, does not affect the clear delineation and distinction between the business of the Herotime Group and the business of our Group. Moreover, during the Track Record

Period, the third-party manufacturers engaged by us for the production of the apparel products which we procured for our customers as part of our apparel supply chain management services were different to those engaged by the Herotime Group for the production of the apparel products which the Herotime Group sold to its customers as part of its apparel retail business.

The apparel retail business of the Herotime Group was not injected into our Group as our Directors are of the view that such business does not form part of our business as an apparel supply chain manager and is not in line with our overall strategy to engage in the provision of apparel supply chain management services. The Herotime Group had ceased all of its retail business operations in February 2014. As confirmed by Mr. Liu YY and Mr. Cheng, there are no current business plans for any future retail business to be undertaken by the Herotime Group.

According to the unaudited financial statements of the Herotime Group for the year ended 31 December 2011, its revenue, net profit, net liabilities and gross profit margin for the year ended 31 December 2011 amounted to approximately HK$28.3 million, HK$1.1 million, HK$0.7 million and 23.6%, respectively. According to the unaudited financial statements of the Herotime Group for the year ended 31 December 2012, its revenue, net loss, net liabilities and gross profit margin for the year ended 31 December 2012 amounted to approximately HK$4.5 million, HK$5.3 million, HK$5.7 million and 39.8%, respectively. According to the unaudited financial statements of the Herotime Group for the year ended 31 December 2013, its revenue, net loss, net liabilities and gross profit margin for the year ended 31 December 2013 amounted to approximately HK$5.2 million, HK$10.6 million, HK$16.8 million and 6.7%, respectively.

DEED OF NON-COMPETITION

Each of Mr. Cheng, Happy Zone, Mr. Liu YY, Mr. Yu, Mr. Liu CT and Mr. Kao as covenantors (each a "**Covenantor**", and collectively, the "**Covenantors**") executed the Deed of Non-competition in favour of our Company (for itself and as trustee for its subsidiaries) and confirms that other than its/his interest in our Company and those disclosed in this document, none of them is engaged in any business which, directly or indirectly, competes or may compete with our business, or has any interest in such business.

In accordance with the Deed of Non-competition, each Covenantor undertakes that, from the **[REDACTED]** and ending on the occurrence of the earliest of (i) the date on which, in relation to any Covenantor, it/he, together with its/his associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company, provided that the Deed of Non-competition shall continue to be in full force and effect as against the other Covenantors; or (ii) the date on which the Shares cease to be **[REDACTED]** on the Main Board of the Stock Exchange (other than suspension of trading of the Shares for any other reason); or (iii) the date on which the Covenantors beneficially own or become interested jointly or severally in the entire issued share capital of our Company (the "**Restricted Period**"):

1. Non-competition

Each Covenantor undertakes that it/he will not, and will use its/his best endeavours to procure any Covenantor, its/his associates (collectively, the "**Controlled Persons**") and any company directly or indirectly controlled by the Covenantor (the "**Controlled Company**") not to, either on its/his own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or may compete with the business of our Company or any of its subsidiaries in Hong Kong, Bangladesh, the PRC, Cambodia or Macao or such other places as our Company or any of its subsidiaries may conduct or carry on

business from time to time, including the provision of apparel supply chain management services, but for the avoidance of doubt, excluding the ownership of interests by Mr. Cheng and Mr. Liu YY in the Herotime Group as mentioned above (the "**Restricted Business**").

2. New business opportunity

If any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity to, directly or indirectly, engage in or own a Restricted Business (the "**New Business Opportunity**"):

(a) it/he shall promptly notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our Company in order to enable it to make an informed assessment of such opportunity; and

(b) it/he shall not, and shall procure that its/his Controlled Persons or Controlled Companies shall not, invest or participate in any New Business Opportunity, unless such New Business Opportunity shall have been rejected by our Company and the principal terms on which the Covenantor or its/his Controlled Persons or Controlled Companies shall invest or participate in such New Business Opportunity are no more favourable than those made available to our Company.

A Covenantor may only engage in the New Business Opportunity if (i) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute a Restricted Business (the "**Non-acceptance Notice**"); or (ii) the Non-acceptance Notice is not received by the Covenantor within 10 days after the proposal of the New Business Opportunity is received by our Company.

A Covenantor being a Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless his attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity. The remaining non-interested Directors will be responsible for assessing the New Business Opportunity and making the decision as to whether or not to take up any particular New Business Opportunity.

3. General Undertakings

In order to ensure the performance of the above-mentioned non-competition undertakings, each of the Covenantors will:

(a) provide all information necessary to our Company and our Directors for the annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-competition and the enforcement of the undertakings contained therein by each of them;

(b) make an annual declaration on compliance with such undertakings in the annual reports of our Company and each of the Covenantors acknowledges that the independent non-executive Directors will review, at least on an annual basis, the compliance with such undertakings given by each of the Covenantors, including all decisions taken in each quarter of the year on whether to pursue a New Business Opportunity in accordance with the Deed of Non-competition and our Company will make disclosures in its annual reports or by way of announcements regarding the decisions and the rationale of those decisions (as appropriate) of the independent board committee on matters referred to in the Deed of Non-competition and each of them hereby gives its/his general consent to such disclosure;

(c) in the event of any disagreement between the parties to the Deed of Non-competition as to whether or not any activity or proposed activity of the Covenantors constitutes a Restricted Business, procure that the matter be determined by the independent non-executive Directors whose majority decision shall be final and binding; and

(d) abstain from voting at, and not be counted as part of the quorum of, any meetings of shareholders and/or board of directors of our Company for consideration and approval of any matters referred to in the Deed of Non-competition which have given rise, or may give rise, to conflicts of interest, actual or potential.

The Deed of Non-competition does not apply if a Covenantor owns any interest not exceeding five per cent. of the issued shares in any company conducting any Restricted Business (the "**Relevant Company**"), and such company or its holding company is listed on any recognised stock exchange (as defined under the SFO), notwithstanding that the business conducted by the Relevant Company constitutes or might constitute competition with the business of our Company or any of its subsidiaries, provided that (i) the shareholding of any one shareholder (and its/his associate, if applicable) in the Relevant Company is more than that of a Covenantor and/or its/his associates at any time; and (ii) the total number of the relevant Covenantors' representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to its/his shareholding in the Relevant Company.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon the conditions set out in "Structure and Conditions of the Global Offering — Conditions of the Global Offering".

As the Covenantors have given non-competition undertakings in favour of our Company, and none of them have interests in other businesses that compete or are likely to compete with the business of our Group save as disclosed above, our Directors are of the view that they are capable of carrying on our business independently of the Covenantors following the **[REDACTED]**. Save as disclosed above, none of the Covenantors and our Directors has interests in any business which competes or is likely to compete with the business of our Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Save as otherwise disclosed in "Connected Transactions", our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders and/or their respective associates upon or immediately after the **[REDACTED]**. Having considered the following factors, our Directors believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective associates after the **[REDACTED]**.

Financial independence

Our Directors are of the view that we do not unduly rely on advances from our Controlling Shareholders and related parties for our business operations. All amounts due to/from and guarantees provided by/to any Controlling Shareholder will be fully settled and released before the **[REDACTED]**. Having considered that (i) we have independent financial and accounting systems and independent treasury functions for receiving cash and making payments and independent access to third-party financing; (ii) we make financial decisions according to our own business needs; (iii) the amounts due to/from our Controlling Shareholders has been fully settled; and (iv) we have sufficient committed banking facilities to fund our operations, our Directors consider that we can operate independently of our Controlling Shareholders from a financial perspective. As at 30 April 2014, being the latest practicable date for the purpose of ascertaining the information contained in the indebtedness statement prior to the printing of this document, we had total banking facilities of approximately HK$187.7 million, of which approximately HK$1.7 million were utilised.

Operational Independence

Notwithstanding that our Group will have various continuing connected transactions with associates of our Controlling Shareholders after the **[REDACTED]** as disclosed in "Connected Transactions", having considered that (i) we have independent access to third-party manufacturers for our apparel supply chain management business and maintained a total of 28 approved third-party manufacturers as at the Latest Practicable Date; (ii) we have independent access to suppliers of raw materials; (iii) we have established our own organisational structure made up of individual departments, each with specific areas of responsibilities; (iv) we have independent access to customers for our apparel supply chain management business; and (v) we have established a set of internal controls to facilitate the effective operation of our apparel supply chain management business, our Directors consider that we can operate independently of our Controlling Shareholders from an operational perspective.

Management Independence

Board

The Board comprises five executive Directors, namely Mr. Liu YY, Mr. Cheng, Mr. Yu, Mr. Liu CT and Mr. Kao, and three independent non-executive Directors, namely Mr. Lai, Mr. Ng and Mr. Chung. Although Mr. Cheng (our chairman and one of our executive Directors) and Mr. Liu YY (our managing director and one of our executive Directors) are also our Controlling Shareholders and Mr. Liu YY and Mr. Liu CT (one of our executive Directors) are directors of Happy Zone (one of our Controlling Shareholders), each of our Directors, including Mr. Cheng, Mr. Liu YY and Mr. Liu CT, is aware of his fiduciary duties as a Director which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. If there are conflicts of interests for approving a proposed transaction due to the dual positions of a Director acting as director of our Company and another company, pursuant to the relevant provisions of the Articles, such Director shall abstain from voting at the relevant meeting of the Board in respect of the resolution(s) of the Board approving such transaction and shall not be counted in the quorum. In addition, all of our independent non-executive Directors are sufficiently experienced and capable of monitoring our operations independently of our Controlling Shareholders.

Having considered the above-mentioned factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that the interests of our Shareholders can be safeguarded. For details of our Directors, see "Directors and Senior Management".

Committees

We have established a remuneration committee, a nomination committee and a compliance committee comprising of a majority of independent non-executive Directors and an audit committee comprising of only independent non-executive Directors to monitor our operations.

The audit committee is responsible for reviewing and supervising the financial reporting process and internal control system of our Group. The remuneration committee's role is to ensure that our Controlling Shareholders do not have any influence on the remuneration provided to our Directors. The nomination committee is responsible for reviewing the structure, size and composition of the Board and assessing the independence of our independent non-executive Directors. The compliance committee is responsible for reviewing and monitoring the legal and compliance aspects of our Group to ensure that our Group is in compliance with all applicable laws and regulations.

Senior Management

Our Group is also managed by the senior management who can work and carry on our business independently of our Controlling Shareholders. For details of our senior management, see "Directors and Senior Management".

Having considered the above factors and in light of the non-competition undertakings given by the Covenantors in favour of our Company (for itself and as trustee for its subsidiaries), our Directors are satisfied that they are able to perform their roles in our Company independently, and are of the view that we are capable of managing our business independently after the **[REDACTED]**.

[REDACTED]

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions with our connected persons which will continue following the **[REDACTED]** and thereby constitute continuing connected transactions within the meaning of the Listing Rules.

(1) RELATIONSHIP BETWEEN OUR GROUP AND THE CONNECTED PERSONS

(a) Action Win

Action Win (which is beneficially owned as to 98.32% by Mr. Liu YY through Othello Group Limited, as to 0.83% by Mr. Liu CT and as to 0.83% by Mr. Liu Chung Kan, a son of Mr. Liu YY) will be an associate of Mr. Liu YY (an executive Director) under the Listing Rules (with relevant amendments effective from 1 July 2014) and will therefore be a connected person of our Company as defined under the Listing Rules.

(b) Liu & Cheng

Liu & Cheng (which is owned as to 51.0% by Mr. Liu YY and as to 49.0% by Mr. Cheng) will be an associate of each of Mr. Liu YY (an executive Director) and Mr. Cheng (an executive Director) under the Listing Rules (with relevant amendments effective from 1 July 2014) and will therefore be a connected person of our Company as defined under the Listing Rules.

(c) Herotime Shenzhen

Herotime Shenzhen (which is owned as to 100.0% by Herotime HK, which is owned as to 100.0% by Herotime BVI, which in turn is owned as to 51.0% by Mr. Liu YY and as to 49.0% by Mr. Cheng) will be an associate of each of Mr. Liu YY (an executive Director) and Mr. Cheng (an executive Director) under the Listing Rules (with relevant amendments effective from 1 July 2014) and will therefore be a connected person of our Company as defined under the Listing Rules. As at the Latest Practicable Date, Herotime Shenzhen had ceased all of its retail business operation. It will explore other business or development opportunity. As at the Latest Practicable Date, no such opportunity had been identified.

(2) EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following the **[REDACTED]**, the following transactions will be regarded as continuing connected transactions exempt from the connected transaction requirements under Rule 14A.76(1) of the Listing Rules (with relevant amendments effective from 1 July 2014).

(a) Tenancy agreement with Action Win

(i) Background and principal terms

During the Track Record Period, Hanbo Enterprises HK entered into an oral tenancy with Action Win in respect of the property at Workshop B, 9/F Tontex Industrial Building, Nos. 2-4 Sheung Hei Street, Kowloon, Hong Kong with a gross floor area of approximately 4,290 sq. ft. (the "**HK Storage Facility**") for storage use. As the use of the HK Storage Facility by Hanbo Enterprises HK is expected to continue after the **[REDACTED]**, our Company has entered into the agreement below to regulate and formalise the existing tenancy arrangement between Action Win and Hanbo Enterprises HK in relation to the HK Storage Facility.

A tenancy agreement dated 17 June 2014 was entered into between Action Win, as landlord, and Hanbo Enterprises HK, as tenant, under which Action Win has agreed to lease to Hanbo Enterprises

HK the HK Storage Facility for a term of three years commencing on the date of the agreement for storage use (the "**HK Tenancy Agreement**").

Pursuant to the HK Tenancy Agreement, Hanbo Enterprises HK shall pay Action Win a monthly rental in the sum of HK$27,000 throughout the term of the HK Tenancy Agreement (exclusive of management fees, government rent and government rates). Hanbo Enterprises HK has an option to, subject to the applicable requirements of the Listing Rules, renew the HK Tenancy Agreement for a term of three years upon expiration of the original term and the rent to be paid during the renewed term shall be HK$27,000 per month.

(ii) Historical transaction value

For each of the three years ended 31 December 2013, the annual rental paid by Hanbo Enterprises HK to Action Win was approximately HK$324,000.

(iii) Pricing basis

It is anticipated that the total annual rental payable by Hanbo Enterprises HK to Action Win under the HK Tenancy Agreement for each of the three years ending 31 December 2016 will be approximately HK$324,000. Our Directors confirm that the rent was determined by the parties to the HK Tenancy Agreement on normal commercial terms through arm's length negotiations by reference to (i) the historical rent paid by Hanbo Enterprises HK to Action Win for the three years ended 31 December 2013; and (ii) the market rents for similar premises in the vicinity of the HK Storage Facility.

Roma Appraisals Limited, an independent professional valuer, is of the view that the annual rental payable under the HK Tenancy Agreement is fair and reasonable and the rental payment thereunder reflects the prevailing market rate as at the date of a commencement of the HK Tenancy Agreement.

(iv) Listing Rules implications

Given each of the applicable percentage ratios in respect of the transactions under the HK Tenancy Agreement will be, on an annual basis, more than 0.1% but less than 5% and the total consideration will be less than HK$3,000,000, such transactions will, pursuant to Rule 14A.76(1) of the Listing Rules (with relevant amendments effective from 1 July 2014), constitute *de minimis* continuing connected transaction exempt from the connection transaction requirements.

(b) Tenancy agreement with Liu & Cheng

(i) Background and principal terms

During the Track Record Period, Hanbo GSC leased the property at No. 45 A7A8A9, Russian Boulevard, Prey Tea Village, Sangkat Choam Chau, Khan Porsenchey, Phnom Penh, Cambodia (the "**Cambodia Office Premises**") from an Independent Third Party for office use. As Liu & Cheng acquired the property on 17 March 2014, our Company has entered into the agreement below to regulate the lease arrangement between Hanbo GSC and Liu & Cheng in relation to the Cambodian Office Premises.

A tenancy agreement dated 30 March 2014 was entered into between Liu & Cheng, as landlord, and Hanbo GSC, as tenant, under which Liu & Cheng agreed to lease to Hanbo GSC the Cambodia Office Premises with a gross floor area of approximately 10,785.43 sq. ft. for a term of three years commencing on 17 March 2014 for office use (the "**Cambodia Tenancy Agreement**").

Pursuant to the Cambodia Tenancy Agreement, Hanbo GSC shall pay Liu & Cheng a monthly rental in the sum of US$2,500 from 17 March 2014 throughout the term of the Cambodia Tenancy

Agreement exclusive of any and all taxes and related fees which will be levied by the Cambodian Government, or any organ or agency of the Cambodian Government, with respect to the ownership or occupation of the Cambodia Office Premises. Hanbo GSC has an option to, subject to the applicable requirements of the Listing Rules, renew the Cambodia Tenancy Agreement for a term of one year upon expiration of the original term provided that the rent to be paid during the renewed term shall be increased by a percentage equal to the increase in the Cambodian consumer price index as published by the Cambodian National Institute of Statistics for the period from 1 January to 31 December in the previous relevant year.

(ii) Historical transaction value

There were no historical rental amounts for each of the three years ended 31 December 2013 as the Cambodia Tenancy Agreement was only entered into on 30 March 2014.

(iii) Pricing basis

It is anticipated that the total annual rental payable by Hanbo GSC to Liu & Cheng under the Cambodia Tenancy Agreement for each of the three years ending 16 March 2017 will be approximately US$30,000, US$30,000 and US$30,000 respectively provided that the rent to be paid during the second year, third year and the renewed term shall be increased by a percentage equal to the increase in the Cambodian consumer price index as published by the Cambodian National Institute of Statistics for the period from 1 January to 31 December in the previous year. Our Directors confirm that the rent was determined by the parties to the Cambodia Tenancy Agreement on normal commercial terms through arm's length negotiations by reference to the market rent for similar premises in the vicinity of the Cambodia Office Premises.

Roma Appraisals Limited, an independent professional valuer, is of the view that the annual rental payable under the Cambodia Tenancy Agreement is fair and reasonable and the rental payment thereunder reflects the prevailing market rents as at the date of the commencement of the Cambodia Tenancy Agreement.

(iv) Listing Rules implications

Given each of the applicable percentage ratios in respect of the transactions under the Cambodia Tenancy Agreement will be, on an annual basis, more than 0.1% but less than 5% and the total consideration will be less than HK$3,000,000, such transactions will, pursuant to Rule 14A.76(1) of the Listing Rules (with relevant amendments effective from 1 July 2014), constitute *de minimis* continuing connected transaction exempt from the connected transaction requirements.

(c) Agreement granting the right of use of property with Herotime Shenzhen (as grantor)

(i) Background and principal terms

Yibao Clothing, as sub-lessee, has been sub-leasing Floors 6 and 7, Guangming Furniture Industrial Building, Industry Road, Shatoujiao, Yantian District, Shenzhen, the PRC (the "**GFI Building**"), and Herotime Shenzhen, as sub-lessee, has been sub-leasing Floor 5 of the GFI Building, from the same sub-lessor which is an Independent Third Party.

As Yibao Clothing required more area for office and sample room use and it had already been sub-leasing Floors 6 and 7 of the GFI Building, Herotime Shenzhen, as grantor, granted to Yibao Clothing, as grantee, the right to use approximately 75.0% of Floor 5 of the GFI Building with a gross floor area of approximately 1,250 sq. m (the "**SZ Facilities**") as office and sample room for nil consideration. The reason for nil consideration is that further sub-letting of Floor 5 of the GFI Building by Herotime Shenzhen is not permitted under the relevant PRC leasing regulations and any payment

of rent by Yibao Clothing for use of the SZ Facilities may deem the grant of the right to use a property as further sub-letting. As advised by our PRC Legal Advisers, the arrangement to grant the right to use the SZ Facilities to Yibao Clothing for nil consideration by Herotime Shenzhen is permitted under the PRC laws. As the use of the SZ Facilities by Yibao Clothing is expected to continue after the **[REDACTED]**, our Company has entered into the agreement below to regulate and formalise the existing tenancy arrangement between Herotime Shenzhen and Yibao Clothing in relation to the SZ Facilities.

An agreement dated 17 June 2014 was entered into between Herotime Shenzhen as grantor, and Yibao Clothing, as grantee, under which Herotime Shenzhen agreed to grant to Yibao Clothing the right to use the SZ Facilities for a term of 48 months commencing on 1 January 2013 and ending on 31 December 2016 as office and sample room (the "**SZ Facilities Agreement**").

Pursuant to the SZ Facilities Agreement, Herotime Shenzhen shall grant to Yibao Clothing the right to use the SZ Facilities for nil consideration. The SZ Facilities Agreement may be renewed for a term of 12 months upon expiration of the original term for nil consideration during the renewed term with the mutual consent of both parties. During the term of use, the water charges, electricity charges, sewage charges, waste treatment fees and management fees attributable to the SZ Facilities will be borne by Yibao Clothing. According to the SZ Facilities Agreement, Herotime Shenzhen shall not terminate the agreement without reason, and Yibao Clothing shall have the right to terminate the agreement by giving Herotime Shenzhen 15 days' prior notice in writing. Herotime Shenzhen has agreed that, going forward, if Herotime Shenzhen continues to lease Floor 5 of the GFI Building and Yibao Clothing continues to lease Floors 6 and 7 of the GFI Building after the renewed term of 12 months expires under the SZ Facilities Agreement, it will continue to grant Yibao Clothing the right to use the SZ Facilities for nil consideration for a term to be agreed by the parties.

Roma Appraisals Limited, an independent professional valuer, is of the view that the terms of the SZ Facilities Agreement are fair and reasonable and the rental payable thereunder is below the prevailing market rents as at the date of commencement of the SZ Facilities Agreement.

(ii) Historical transaction value

For each of the three years ended 31 December 2013, no rental amounts were paid by Yibao Clothing to Herotime Shenzhen in relation to the use of SZ Facilities granted by Herotime Shenzhen. The notional rental amount for each of the three years ended 31 December 2013 was RMB25,000.

(iii) Pricing basis

Our Directors confirm that the nil consideration was determined by the parties to the SZ Facilities Agreement on normal commercial terms through arm's length negotiations by reference to the fact further sub-letting of Floor 5 of the GFI Building by Herotime Shenzhen is not permitted under the relevant PRC leasing regulations and any payment of rent by Yibao Clothing for use of the SZ Facilities may deem the grant of the right to use a property as further sub-letting.

(iv) Listing Rules implications

Given each of the applicable percentage ratios in respect of the transactions under the SZ Facilities Agreement will be, on an annual basis, less than 0.1%, the SZ Facilities Agreement will, pursuant to Rule 14A.76(1) of the Listing Rules (with relevant amendments effective from 1 July 2014), constitute *de minimis* continuing connected transaction exempt from the connected transaction requirements.

(d) Sharing of administrative services agreement with Herotime Shenzhen

(i) Background and principal terms

During the Track Record Period, Hanbo Enterprises HK provided accounting, administrative and IT services (the "**Services**") to Herotime Shenzhen. Notwithstanding that Herotime Shenzhen had ceased all of its retail business operation as at the Latest Practicable Date, it will explore other business or development opportunity and may commence business operation once such an opportunity is identified. Therefore, it still requires the Services to support its daily company functions. As the provision of the Services by Hanbo Enterprises HK to Herotime Shenzhen is expected to continue after the **[REDACTED]**, our Company has entered into the agreement below to regulate the existing arrangement between Hanbo Enterprises HK and Herotime Shenzhen in relation to the provision of Services.

An agreement dated 17 June 2014 was entered into between Herotime Shenzhen, as customer, and Hanbo Enterprises HK, as service provider, under which Hanbo Enterprises HK may (but is not obliged to), from time to time, provide the Services to Herotime Shenzhen (the "**Sharing of Administrative Services Agreement**"). The term of the Sharing of Administrative Services Agreement shall be three years commencing on the date of the agreement.

Pursuant to the Sharing of Administrative Services Agreement, the service fee for the accounting, administrative and IT services shall be HK$5,329, HK$2,470 and HK$702 per month, respectively. Either party to the Sharing of Administrative Services Agreement may terminate the agreement by giving the other party not less than one month's prior written notice.

(ii) Historical transaction value

For each of the three years ended 31 December 2013, no amounts were paid by Herotime Shenzhen to Hanbo Enterprises HK for the provision of the Services.

(iii) Pricing basis

The service fee for the accounting, administrative and IT services provided to Herotime Shenzhen by Hanbo Enterprises HK under the Sharing of Administrative Services Agreement was determined by reference to the actual use of the relevant services by the Herotime Shenzhen on a cost basis without margin by reference to (i) the costs (including remuneration and other related costs); (ii) the existing scales of our Group's and Herotime Shenzhen's operations; (iii) the anticipated growth of our Group and Herotime Shenzhen; and (iv) the anticipated increase in the remuneration of the staff who are involved in providing the Services. Our Directors consider that such cost allocation of the administrative services between our Group and Herotime is on a fair and equitable basis.

(iv) Listing Rules implications

Pursuant to Rule 14A.98 of the Listing Rules (with relevant amendments effective from 1 July 2014), the transactions regarding the provision of accounting, administrative and IT services under the Sharing of Administrative Services Agreement will be exempted from the connected transaction requirements under the Listing Rules.

As each continuing connected transaction disclosed above is wholly necessary for the principal activities of our Group and is conducted on arm's length basis, our Directors are of the view that (i) each continuing connected transaction disclosed above was entered into in the ordinary and usual course of business of our Group on normal commercial terms; and (ii) the terms of which are fair and reasonable and in the interests of the Shareholders as a whole. The Sponsor concurs the view of our Directors in this regard.

DISCONTINUED RELATED PARTY TRANSACTIONS

Our Group entered into certain related party transactions with its related parties during the Track Record Period ("**Discontinued Related Party Transactions**"), which are expected to be discontinued prior to **[REDACTED]**. Details of the Related Party Transactions are set out in note 35 to the Accountants' Report set forth in Appendix I to this document.

The nature of the various Discontinued Related Party Transactions is set out below:

Interest income

Herotime Shenzhen borrowed funds from us for its business needs and therefore we received interest income from Herotime Shenzhen. For each of the three years ended 31 December 2013, the amounts for the interest income received from Herotime Shenzhen were approximately HK$120,000, HK$120,000 and nil, respectively. Details of such loan are set out in note 24 to the Accountants' Report set forth in Appendix I to this document. Such financing arrangement ceased in September 2013.

Sales of apparel samples

Hanbo Enterprises HK sold apparel product samples to Herotime Shenzhen which were used by Herotime Shenzhen in its apparel retail business in the PRC. For each of the three years ended 31 December 2013, the amounts for the sales of samples to Herotime Shenzhen were approximately HK$1.2 million, HK$266,000 and nil, respectively. As Hanbo Enterprises HK ceased in-house production of apparel products at the Contract Processing Factory since April 2012, such sales arrangement also ceased.

Brokerage expenses

We sought brokerage services in respect of security transactions carried out during the Track Record Period from Mars Securities Company Limited ("**Mars Securities**") and pay it a brokerage fee in respect of such services. Mars Securities was wholly owned by Mr. Liu YY, a Controlling Shareholder and an executive Director. For each of the three years ended 31 December 2013, the amounts for the brokerage fees paid to Mars Securities were approximately HK$19,000, HK$57,000 and HK$82,000, respectively. Such service arrangement ceased in December 2013.

Consultancy expenses

We sought consultancy services from Mr. Liu YY and Mr. Cheng, each a Controlling Shareholder and an executive Director, and Mr. Yu, Mr, Liu CT and Mr. Kao, each an executive Director and pay them consultancy fees. For each of the three years ended 31 December 2013, the amounts for the consultancy fees paid to these persons were approximately HK$3.1 million, nil and nil, respectively. We no longer sought consultancy services from these persons during the two years ended 31 December 2013.

DIRECTORS

The Board consists of eight Directors, of whom five are executive Directors and three are independent non-executive Directors. The Board is responsible and has general powers for the management and conduct of our business. The following table shows certain information regarding the current members of the Board:

Name	Age	Position/Title	Date of appointment as a Director	Time of joining our Group	Role and responsibilities
Mr. Cheng Lap Yin (鄭立言)	49	Chairman and executive Director	30 September 2013	November 1991	Responsible for the strategic planning and overall management of our business development
Mr. Liu Chung Tong (廖頌棠)(1)	41	Deputy chairman and executive Director	30 September 2013	August 2010	Responsible for the strategic planning and strategic review processes
Mr. Liu Ying Yin, James (廖英賢)(1)	67	Managing director and executive Director	30 September 2013	November 1991	Responsible for overall strategy, investment planning and human resource strategy.
Mr. Kao Lap Shing (高立誠)	48	Financial controller and executive Director	30 September 2013	October 2004	Responsible for the finance and administrative functions
Mr. Yu Yuen Mau, Banny (余遠茂)	49	Executive Director	30 September 2013	December 1998	Responsible for the global operations
Mr. Chung Kwok Pan (鍾國斌)	50	Independent non-executive Director	20 June 2014	20 June 2014	Serving as member of each of the audit/ compliance/ remuneration/ nomination committee; advising on corporate governance
Mr. Lai Kin Keung (黎建強)	63	Independent non-executive Director	20 June 2014	20 June 2014	Serving as chairman of the remuneration committee and member of each of the audit/ compliance/ remuneration/ nomination committee; advising on corporate governance, connected transactions and other corporate and compliance matters.

Name	Age	Position/Title	Date of appointment as a Director	Time of joining our Group	Role and responsibilities
Mr. Ng Ming Yuen, John (吳明遠)	58	Independent non-executive Director	20 June 2014	20 June 2014	Serving as chairman of the audit committee and member of each of the audit/compliance/ nomination committee; advising on corporate governance

Note:

(1) Mr. Liu YY is the father of Mr. Liu CT.

Executive Directors

Mr. Cheng Lap Yin (鄭立言), aged 49, is our chairman and our executive Director. He was appointed as a Director on 30 September 2013. He is one of the founders of our Group and has been a director of Hanbo Enterprises HK, Superbo Trading, Goodeed, Hanbo Enterprises BVI, Yibao Clothing, Hanbo GSC since 11 November 1991, 18 January 1994, 30 September 1995,19 May 2004, 10 June 2012 and 29 June 2012, respectively. He was also a director of Hanbo Enterprises Macao from 3 November 2004 to 22 September 2010. Mr. Cheng is primarily responsible for the strategic planning and overall business development of our Group.

Mr. Cheng has extensive experience in the apparel industry. From June 1984 to November 1984, he served as shop salesman at Alfred Dunhill (Far East) Ltd., the principal business of which is sales of self-owned brand products at their brand specialty store in Hong Kong and he was responsible for sales promotion. From February 1986 to May 1988, he served as general trading co-ordinator at Topstyle Ltd., the principal business of which is apparel trading and he was responsible for monitoring production progress. From September 1988 to October 1989, he served as assistant market representative at R.H.Macy & Co., Inc., the principal business of which is sourcing apparel for department stores in United States and he was responsible for apparel sourcing. From November 1989 to February 1991, Mr. Cheng served as senior merchandiser at Dodwell International Buying Offices Ltd., the principal business of which is acting as sourcing agent for global retailers and he was responsible for sourcing apparel in Asia. From March 1991 to February 1992, he served as senior merchandiser at Mast Industries (Far East) Ltd., the principal business of which is acting as apparel sourcing agent for companies in United States and he was responsible for sourcing apparel in Asia.

Mr. Cheng is currently studying for an Executive Master of Business Administration (EMBA) degree at City University of Hong Kong and expects to complete this in November 2014.

Mr. Cheng was the legal representative of Shaoguan City Haoyu Garment Co., Ltd. (韶關市濠裕製衣有限公司) which was established in the PRC, the business licence of which was revoked by Shaoguan Administration For Industry and Commerce (韶關市工商行政管理局) on 26 December 2011 due to its failure to participate in an annual examination. It is confirmed by Mr. Cheng that since such company had never commenced business, he did not attend to the formalities of annual examination. According to the relevant PRC regulations, a PRC company is required to undergo annual examination. Failing to undergo annual examination or examination within the specified deadline, its business license shall be revoked by the Administration of Industry and Commerce ("**AIC**"). The business license of such company remained revoked as at the Latest Practicable Date according to the information of the website of the AIC of Shaoguan, the PRC.

Mr. Cheng was a director of the following company which was incorporated in Hong Kong and was struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance which provides that the Registrar of Companies in Hong Kong can strike a defunct company off from the register of companies. The relevant details are as follows:

Name of company	Nature of business	Date of notice of striking off	Date of struck off
Tontex Enterprises Limited (東德企業有限公司)	Never commenced business	7 May 2004	17 September 2004

Mr. Liu Chung Tong (廖頌棠), aged 41, is our deputy chairman and our executive Director. He was appointed as a Director on 30 September 2013. He joined us in August 2010 as strategic analyst of Hanbo Enterprises HK and has been a director of Superbo Trading and Hanbo Enterprises HK since 23 April 2012. Mr. Liu is responsible for the strategic planning of our Group's business and strategic review processes.

From January 1999 to May 2002, he served as job captain and project manager at Steinberg Group, the principal business of which is providing architecture service and he was responsible for design and project management. From June 2003 to April 2005, he served as project architect at Barry Swenson Builder, the principal business of which is general construction and real estate development and he was responsible for project management. From July 2005 to May 2009, he served as associate principal at LPMD Architects, the principal business of which is providing architecture service and he was responsible for project management in project planning and building construction.

Mr. Liu obtained a Bachelor of Arts in Architecture degree in December 1995 from University of California at Berkeley and a Master of Business Administration degree in November 2011 from The University of Hong Kong. He is currently an architect member of The American Institute of Architects (AIA), a chartered member of the Royal Institute of British Architects (RIBA) and an ordinary member of the Hong Kong Securities and Investment Institute.

Mr. Liu is a son of Mr. Liu YY.

Mr. Liu Ying Yin, James (廖英賢), aged 67, is our executive Director. He was appointed as a Director on 30 September 2013. He is the leading founder of our Group and has successfully led our group to achieve the current market leading position. He has been a director of Superbo Trading, Hanbo Enterprises BVI, Yibao Clothing, Hanbo GSC, Hanbo Enterprises HK and Goodeed since 18 January 1994, 19 May 2004, 10 June 2012, 21 December 2012, 17 February 2014 and 17 February 2014, respectively. He was also a director of Hanbo Enterprises Macao from 3 November 2004 to 22 September 2010. Mr. Liu is our managing director and primarily responsible for overall strategy, investment planning and human resource strategy of our Group.

Mr. Liu is a Chartered Secretary (AGIA, ACIS) and Chartered Marketer (MCIM). He is a member of the Hong Kong Securities and Investment Institute (MHKSI) and a licensed responsible officer of Mars Securities Co. Ltd. He obtained an Executive Master of Business Administration (EMBA) degree in November 2001 from City University of Hong Kong. He was appointed as an adjunct professor at City University of Hong Kong from 1 January 2011 to 31 December 2013 and was re-appointed to this position on 1 January 2014, for a term of three years.

Mr. Liu was the director of the following companies which were incorporated in Hong Kong and were deregistered pursuant to section 291AA of the Predecessor Companies Ordinance which provides that a defunct, solvent company may be dissolved by way of deregistration. It is confirmed by Mr. Liu that all the following deregistration was voluntary by way of submitting an application to the

Companies Registry of Hong Kong because these companies had either never commenced business or operation or ceased to carry on business or operation for more than 3 months immediately before the relevant application. The relevant details are as follows:

Name of company	Nature of business	Date of submission of application for deregistration	Date of deregistration
Yick Po Garments Limited (億寶製衣有限公司)	Never commenced business	24 March 2003	8 August 2003
Beautilook Trading Company (驕麗貿易有限公司)	Inactive	28 November 2006	4 April 2007

Mr. Liu is the father of Mr. Liu CT.

Mr. Kao Lap Shing (高立誠), aged 48, is our executive Director. He was appointed as a Director on 30 September 2013. He joined us in October 2004 as finance and administration manager of Hanbo Enterprises HK and has been a director of Superbo Trading and Hanbo Enterprises HK since 23 April 2012. He was also a director of Hanbo Enterprises Macau from 3 November 2004 to 31 July 2006. He is our financial controller and is responsible for our finance and administration matters.

Mr. Kao has over 17 years of experience in accounting and auditing. From July 1987 to May 1989, he served as staff accountant at Arthur Andersen & Co., the principal business of which is providing auditing, tax, and consulting services to large corporations and he was responsible for a variety of audit engagements including advertising, securities, trading and not-for-profit companies. From July 1989 to February 1992, he served as assistant management accountant at Dickson Management Consultancy Limited, a member company of Dickson Concepts (International) Limited, the principal business of which is wholesaling & retailing of luxury consumer products and he was responsible for preparation of accounting report and analysis. From September 2002 to September 2004, he served as management accountant of Ryowo (Holding) Company Limited, the principal business of which is manufacturing and trading cooling tower and he was responsible for the preparation of accounting report and ad hoc projects related to corporate strategies.

Mr. Kao obtained a Bachelor of Social Sciences degree from the University of Hong Kong in November 1987, a Master of Science degree in Financial Economics from University of London (external degree) in November 2004 and a Master of Science degree in Accountancy from the Hong Kong Polytechnic University in October 2009 achieving an Outstanding Academic Achievement Award. He is a Certified Public Accountant (CPA) and a fellow of the Association of Chartered Certified Accountants ("**ACCA**"). He is also a Certified Financial Planner Certificant granted by the Institute of Financial Planners of Hong Kong and obtained the Top Scorer Award in Investment Planning paper of the Institute's Certification Examination in June 2009.

Mr. Yu Yuen Mau Banny (余遠茂), aged 49, is our executive Director. He was appointed as a Director on 30 September 2013. Mr. Yu is primarily responsible for the global operations of our Group. He joined us in December 1998 and has been a director of Superbo Trading, Hanbo Enterprises HK and Yibao Clothing since 26 October 2004, 26 October 2004 and 10 June 2012, respectively. He was also a director of Hanbo Enterprises Macao from 31 July 2006 to 22 September 2010.

Mr. Yu has approximately 26 years of experience in the apparel industry. Prior to joining our Group, he served as quality control supervisor of Comitex Knitters Limited, the principal business of which is garment manufacturing from October 1988 to June 1990 and he was responsible for ensuring the quality in whole production process. From June 1990 to September 1998, Mr. Yu served as merchandiser, senior merchandiser, sampling department manager and lastly as the assistant general

production manager of Kindon Garment (H.K.) Limited, the principal business of which is garment manufacturing and he was responsible for sales and general operation. Mr. Yu is currently the chairman of Hong Kong Apparel Society Ltd and a member of Hong Kong Trade Development Council Garment Advisory Committee.

Mr. Yu obtained a higher certificate in apparel merchandising from The Hong Kong Polytechnic University in October 1995. He is currently studying for an Executive Master of Business Administration (EMBA) degree at City University of Hong Kong and expects to complete this in November 2014.

Mr. Yu was the director of the following companies which were incorporated in Hong Kong and were struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance which provides that the Registrar of Companies in Hong Kong can strike a defunct company off the register of companies. The relevant details are as follows:

Name of company	Nature of business	Date of notice of striking off	Date of struck off
Glory Asia Limited (榮亞有限公司)	Providing logistic services	28 September 2001	15 February 2002
Hongold Limited (鴻金有限公司)	Providing logistic services	28 September 2001	15 February 2002

Independent non-executive Directors

Mr. Chung Kwok Pan (鍾國斌), aged 50, was appointed as an independent non-executive Director on 20 June 2014. He has been responsible for the business management of Chungweiming Knitting Factory Limited (鍾偉明織造廠有限公司), the principal business of which is manufacturing of wool knitwear and cotton knitted wears since early 1988. Mr. Chung also has several social positions, including a member of the 5th Legislative Council of Hong Kong (Textiles and Garment Sector), a member of the Advisory Committee on Textile & Clothing Industries, a director of The Chinese Manufacturers' Association of Hong Kong and a director of Hong Kong Brand Development Council. He was also a member of the 9th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference in 1998. Mr. Chung obtained a bachelor's degree in quantity surveying from Robert Gordon's Institute of Technology, Scotland (currently known as Robert Gordon University, Aberdeen) in July 1986 and a master's degree in business administration from the University of Stirling, Scotland in May 1988.

Mr. Chung was the chairman of Dongguan Weiming Garment Co., Ltd. (東莞偉明製衣有限公司) which was established in the PRC, the business licence was revoked by Dongguan Administration for Industry as Commerce (東莞工商行政管理局) on 8 February 2006. It is confirmed by Mr. Chung that he was not involved in the running and operation of such company. Mr. Chung believed that the business licence of such company was revoked due to the failure by such company to renew its business license after the expiration date. The business license of such company remained revoked as at the Latest Practicable Date and the term of business operation expired in 2005 according to the information of the website of the AIC of Dongguan.

Mr. Chung was a director of the following company which was incorporated in Hong Kong and was deregistered and dissolved pursuant to section 291AA of the Predecessor Companies Ordinance which provides that a defunct, solvent company may be dissolved by way of deregistration. The relevant details are as follows:

Name of company	Nature of business	Date of submission of application for deregistration	Date of deregistration
AF Education Co. Limited	Never commenced business	22 January 2003	6 June 2003

*Winding-up Order against Kai Yip Restaurant Limited (啟業酒樓有限公司) ("**Kai Yip Restaurant**") of which Mr. Chung was one of the fourteen directors*

Under Rule 13.51(2)(l) of the Listing Rules, a director must disclose his directorship in any company which has been dissolved or put into liquidation (otherwise than by a member's voluntary winding-up when the company, in the case of a Hong Kong company, was solvent) or bankruptcy or been the subject of an analogous proceeding during the period when he was one of its directors or within 12 months after his ceasing to act as one of its directors. Mr. Chung was a director of Kai Yip Restaurant.

Kai Yip Restaurant was incorporated in Hong Kong on 21 January 1983 and its principal activities were providing food and beverage services in Hong Kong. Compulsory winding up proceeding were initiated against Kai Yip Restaurant upon a petition filed by one of its ex-employees (the "**Petitioner**") to the court on 17 September 2001 seeking a court order to wind up Kai Yip Restaurant on the grounds that Kai Yip Restaurant was indebted to the Petitioner in a sum of HK$48,992.21 and to certain other employees in the aggregate sum of approximately HK$3,392,970.70, all amounts being severance pay, wages in lieu of notice of dismissal, annual leave pay and statutory holiday pay, and that Kai Yip Restaurant was insolvent and unable to pay its debts. Kai Yip Restaurant was dissolved on 7 October 2004.

Mr. Lai Kin Keung (黎建强), aged 63, was appointed as an independent non-executive Director on 20 June 2014. He obtained the degree of Doctor of Philosophy in Civil Engineering from Michigan State University, US in September 1997. Mr. Lai received the 2009 Joon S.Moon Distinguished International Alumni Award and 2014 Civil and Environmental Engineering (CEE) Distinguished Alumni Award from Michigan State University, US in February 2009 and January 2014, respectively. Mr. Lai is the founding chairman of the Operational Research Society of Hong Kong which was established in 1979 in Hong Kong and registered under the Societies Ordinance (Cap 151 of the laws of Hong Kong). He is a Certified Senior Enterprise Risk Manager of Asia Association of Risk and Crisis Management, a member of the Hong Kong Professionals and Senior Executives Association, a fellow of the Hong Kong Institute of Directors and a fellow of Asia Pacific Industrial Engineering and Management Society. He was the dean of the College of Business Administration at Hunan University from February 2005 to February 2008. Mr. Lai was also a member of the 10th Hunan Provincial Committee of Chinese People's Political Consultative Conference in 2008. Mr. Lai currently serves as the president of the Asia Association on Risk and Crises Management and serves as the chair professor of management science at the City University of Hong Kong.

Mr. Lai was a director of Union Way Consultants Limited (聯合顧問有限公司), a company incorporated in Hong Kong and dissolved by deregistration voluntarily as a defunct company pursuant to section 291AA of the Predecessor Companies Ordinance on 6 April 2001. Mr. Lai confirmed that Union Way Consultants Limited (聯合顧問有限公司) was solvent at the time of dissolution or deregistration.

Mr. Ng Ming Yuen, John (吳明遠) (formerly known as Mr. Ng Chi Wing (吳智榮)), aged 58, was appointed as an independent non-executive Director on 20 June 2014. He obtained a bachelor's

degree in economics from Salford University, United Kingdom in July 1980 and a master's degree in business administration from The University of Warwick, United Kingdom in July 1998. Mr. Ng became an associate member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in April 1994. He became a fellow of the Association of Chartered Certified Accountants in April 1999 and qualified as a certified financial planner in October 2008. From August 1994 to May 1996, Mr. Ng served as finance manager and senior manager of Yuanta Securities (Hong Kong) Company Limited (a wholly-owned subsidiary of Yuanta Financial Holding Company Limited, a company listed on the Taiwan Stock Exchange (stock code: 2885)), the principal business of which is providing financial advisory services and he was responsible for overall management of the finance and administration functions. From August 1996 to February 1998, Mr. Ng served as project manager in charge of Agents & Associates business unit of TNT Express Worldwide (HK) Ltd (a wholly-owned subsidiary of TNT Express NV, a company listed on the Amsterdam Stock Exchange (ticker: TNTE)), the principal business of which is providing express delivery services and he was responsible for business development and overall management of the business unit. Mr. Ng has been serving as chief executive officer and principal consultant of Able Consulting Limited, the principal business of which is providing business strategy and implementation service and corporate management service and he is responsible for overall management since October 1998.

Mr. Ng was a director of the following company which was incorporated in Hong Kong and was struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance which provides that the Registrar of Companies in Hong Kong can strike a defunct company off from the register of companies. The relevant details are as follows:

Name of company	Nature of business	Date of notice of striking off	Date of struck off
Saigo Resources Limited (世豪資源有限公司)	Never commenced business	20 December 2002	25 April 2003

Save as disclosed in this document, none of our Directors held any directorship in any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this document, and there is no other information in respect of our Directors to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules and there is no other market concerning his directorship with our Company that needs to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Roles and responsibilities
Ms. Lo Sau Ying (盧秀英)	45	Senior merchandising manager	2 March 2009(1)	Sales and marketing
Mr. Cheung Chun Kong (張鎮剛)	46	Senior merchandising manager	10 January 2012(2)	Supply chain management

Note:

(1) Ms. Lo had previously worked for our Group from March 1993 to November 1999 as a sales manager, as detailed below.

(2) Mr. Cheung had previously worked for our Group from February 2003 to June 2005 as a merchandising manager as detailed below.

Our senior management is responsible for the day-to-day management of our business.

Ms. Lo Sau Ying (盧秀英), aged 45, is a senior merchandising manager of our Group. She joined our Group on 2 March 2009 and has since then served as senior merchandising manager. She is responsible for our international marketing in exploring and enhancing the existing and new global markets.

Prior to re-joining our Group in her present role, Ms. Lo had previously worked for our Group from March 1993 to November 1999 as a sales manager. From April 2000 to October 2001, Ms. Lo served as product manager of the USA textiles group at Li & Fung (Trading) Limited, the principal business of which is serving as a supply chain manager for consumer goods and she was responsible for sourcing and managing the supply chain performance. From March 2003 to February 2004, she served as senior merchandiser at Columbia Sportswear Company (Hong Kong) Limited, the principal business of which is manufacturing and distributing outerwear and sportswear and she was responsible for sourcing and managing the supply chain performance. From February 2004 to June 2008, she served as assistant sales manager and sale manager at Unimix Limited, the principal business of which is general trading and she was responsible for international marketing in exploring and enhancing the existing and new global markets. From June 2008 to January 2009, she served as sales manager of Unimix Exporters Limited, the principal business of which is general trading and she was responsible for international marketing in exploring and enhancing the existing and new global markets. Ms. Lo obtained an advanced diploma in clothing studies and merchandising in July 1996 from the Hong Kong Institution of Textile and Apparel and obtained a diploma in fashion design from School of Professional and Continuing Education of The University of Hong Kong in July 2002.

Mr. Cheung Chun Kong (張鎮剛), aged 46, is a senior merchandising manager of our Group. He joined our Group on 10 January 2012 and has since then served as senior merchandising manager. He is responsible for our Group's supply chain management.

From January 1991 to March 1994, he assumed various roles including merchandiser at Pacific Rainbow Co., Ltd., the principal business of which is trading of apparel and he was responsible for sample development, costing, purchasing, production follow-up and inspection. From March 1994 to November 1999, he assumed various roles including senior merchandiser at Mast Industries (Far East) Ltd, the principal business of which is providing end-to-end solutions for retailers and he was responsible for communication and execution between buyer, garment factory and suppliers for sample and bulk placement. From November 1999 to February 2003, he served as senior merchandiser at Tommy Hilfiger, the principal business of which is offering consumers apparel, sportswear, jeans and a range of licensed products such as accessories, fragrances and home furnishings and he was responsible for communication and execution between buyer, garment factory and suppliers for sample and bulk placement. Prior to re-joining our Group in his present role, Mr. Cheung had previously worked for our Group from February 2003 to June 2005 as a merchandising manager. From July 2005 to February 2008, he served as senior sales manager at NDP Fabrics Limited, the principal business of which is dyeing and printing mill and he was responsible for research and development and sales and marketing. From March 2008 to January 2011, he served as senior sales manager at Bondex Apparel Limited, the principal business of which is dyeing and printing mill and apparel trading and he was responsible for research and development and sales and marketing.

COMPANY SECRETARY

Ms. Lau Wai Yee (劉惠儀), aged 48, was appointed as our company secretary on 26 March 2014 and is responsible for the secretarial affairs of our Company. Since April 2014, she has been employed as a director in the Company Secretarial and Business Development Division of Advent Advisory Limited. She has approximately 27 years of experience in corporate services and tax advisory.

From September 1987 to January 1991, Ms. Lau worked for KPMG Peat Marwick Certified Public Accountants with the last position as senior secretary of the company secretary department where she

handled the compliance and company secretarial matters of client companies. From March 1991 to March 1993, she was the head of the company secretarial department in Robert Lee & Fong Solicitors and provided full spectrum of company secretarial services to client companies. From January 1994 to September 2000, Ms. Lau worked for Secretaries Limited, a service company of Deloitte Touche Tohmatsu, with the last position as assistant manager, where she was responsible for the company secretarial matters of private companies and compliance and share registration issues of publicly-listed companies. From September 2000 to March 2002, Ms. Lau worked in the corporate services department of Arthur Andersen & Co. with the last position as manager, where she provided compliance, corporate governance and tax advisory services to private and publicly-listed companies. Following the merger of Arthur Andersen & Co. with PricewaterhouseCoopers in March 2002 and the subsequent spin off of the corporate services department to Tricor Services Limited, Ms. Lau worked as a manager of the corporate services department of both PricewaterhouseCoopers and Tricor Services Limited during the period from March 2002 to June 2004. Ms. Lau established Wise Business Consulting Limited, a business consulting company, in July 2004 and has provided various services (including but not limited tax planning, audit, compliance, corporate governance, etc.) to private and publicly-listed companies.

She was admitted Associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries in September 1990 and August 1994, respectively.

BOARD COMMITTEES

We have established the following committees under the Board: an audit committee, a compliance committee, a nomination committee and a remuneration committee. The committees operate in accordance with the terms of reference established by the Board.

Audit committee

Our Company established an audit committee in accordance with Rule 3.21 of the Listing Rules pursuant to a resolution of the Board passed on 20 June 2014 with written terms of reference in compliance with paragraph C3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee of our Company are mainly to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and provide advice in respect of financial reporting and oversee the internal control procedures of our Group. At present, our audit committee comprises Mr. Ng Ming Yuen, John, Mr. Chung Kwok Pan and Mr. Lai Kin Keung all being independent non-executive Directors. Mr. Ng Ming Yuen, John is the chairman of our audit committee.

Compliance committee

Our Company established a compliance committee pursuant to a resolution of our Directors passed on 20 June 2014 with written terms of reference. The primary duties of the compliance committee is to review and monitor the legal and compliance aspects of our Group to ensure that our Group is in compliance with all applicable laws and regulations. The compliance committee will have the power to seek external counsel's advice. At present, our compliance committee comprises Mr. Liu CT, Mr. Kao, Mr. Chung Kwok Pan, Mr. Ng Ming Yuen, John and Mr. Lai Kin Keung. Mr. Liu CT is the chairman of our compliance committee.

Remuneration committee

Our Company established a remuneration committee in accordance with Rule 3.25 of the Listing Rules pursuant to a resolution of our Directors passed on 20 June 2014 with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary functions of the remuneration committee of our Company 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. At present, our remuneration committee comprises Mr. Lai Kin Keung, Mr. Chung Kwok Pan and Mr. Cheng. Mr. Lai Kin Keung is the chairman of our remuneration committee.

Nomination committee

Our Company established a nomination committee pursuant to a resolution of our Directors passed on 20 June 2014 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the nomination committee of our Company include reviewing the structure, size, and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors. At present, our nomination committee comprises Mr. Cheng, Mr. Liu YY, Mr. Chung Kwok Pan, Mr. Ng Ming Yuen, John and Mr. Lai Kin Keung. Mr. Cheng is the chairman of our nomination committee.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group.

The aggregate amount of remuneration which was paid to our Directors for each of the three years ended 31 December 2013 were approximately HK$2,375,000, HK$2,372,000 and HK$2,483,000 respectively.

The aggregate amount of remuneration which was paid by our Group to our five highest paid individuals (none of them being a director) for each of the three years ended 31 December 2013 were approximately HK$1,246,000, HK$701,000 and HK$568,000 respectively.

We regularly review and determine the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After **[REDACTED]**, the remuneration committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to their responsibilities, work load, the time devoted to our Group, and the performance of our Group. After the **[REDACTED]**, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

Save as disclosed in this document, no other amounts have been paid or are payable by any member of our Group to our Directors for the three years ended 31 December 2013.

COMPLIANCE ADVISER

Our Company has appointed Quam Capital as its compliance adviser on 28 March 2014 pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company, among others, at 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 including share issues and share repurchases;

(iii) where our Company proposes to use the proceeds 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, or other information in this document; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the compliance adviser of our Company shall commence on the **[REDACTED]** and end on the date on which our Company complies with Rules 13.46 of the Listing Rules in respect of the despatch of our annual report for the first full financial year after the **[REDACTED]**.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital immediately following completion of the Capitalisation Issue and the **[REDACTED]**:

		HK$
Authorised share capital:		
1,000,000,000	Shares of HK$0.01 each	10,000,000
Shares issued and to be issued, fully paid or credited as fully paid:		
100	Shares in issue at the date of this document	1
	[REDACTED]	

Assumptions

The above table assumes that the Capitalisation Issue and the **[REDACTED]** became unconditional and were effected. It does not take into account any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the Issuing Mandate and the Repurchase Mandate as described below.

Ranking

The **[REDACTED]** will rank *pari passu* in all respects with all Shares in issue and/or to be allotted and issued as mentioned in this document and will qualify for all dividends and other distributions hereafter declared, paid or made on the Shares save with respect to the Capitalisation Issue.

ISSUING MANDATE

Our Directors have been granted the Issuing Mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of (a) 20.0% of the aggregate nominal value of the share capital of our Company in issue as enlarged by the **[REDACTED]** and the Capitalisation Issue; and (b) the aggregate nominal value of the share capital of our Company which may be repurchased by our Company under the Repurchase Mandate.

Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Scheme. The aggregate nominal value of the Shares which our Directors are authorised to allot and issue under the Issuing Mandate will not be reduced by the allotment and issue of such Shares.

The Issuing Mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting;

whichever occurs first.

For further details of the Issuing Mandate, see "A. Further information about our Company — 3. Written resolutions of all Shareholders passed on 20 June 2014" in Appendix IV to this document.

REPURCHASE MANDATE

Our Directors have been granted the Repurchase Mandate to exercise all of the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10.0% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the **[REDACTED]** and the Capitalisation Issue.

This Repurchase Mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the Listing Rules.

This Repurchase Mandate will remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions;

(ii) the expiration of the period within which our Company is required by any applicable law or the Articles to hold our next annual general meeting; or

(iii) the time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

For further details of this Repurchase Mandate, see "A. Further information about our Company — 3. Written resolutions of all Shareholders passed on 20 June 2014" in Appendix IV to this document.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders dated 20 June 2014, we conditionally adopted the Share Option Scheme. Summaries of each of the principal terms of the Share Option Scheme are set out in "E. Share Option Scheme" in Appendix IV to this document.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the **[REDACTED]** (but without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme), the following persons will have an interest or short position in the Shares or the 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 will be, directly or indirectly, interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of interest	Number of Shares as at [REDACTED]	Approximate shareholding percentage as at [REDACTED]
Happy Zone(1)	Beneficial owner	**[REDACTED]**	**[REDACTED]**
Mr. Liu YY(1)	Interest of controlled corporation	**[REDACTED]**	**[REDACTED]**
Mr. Cheng	Beneficial owner	**[REDACTED]**	**[REDACTED]**

Notes:

(1) Happy Zone, which is solely and beneficially owned by Mr. Liu YY, is the beneficial owner of **[REDACTED]** Shares. By virtue of the SFO, Mr. Liu YY is deemed to be interested in all of the Shares held by Happy Zone.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our combined financial information as at and for each of the years ended 31 December 2011, 2012 and 2013 and the accompanying notes, included in the Accountants' Report, which has been prepared in accordance with HKFRSs, set out in Appendix I to this document.

The discussions and analysis in this section of the document contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and interpretation of historical trends, current conditions and expected future developments as well as other factors that we believe are appropriate under the relevant circumstances. However, whether our actual results reported in future periods differ materially from those discussed below depends on various factors which we do not have any control over. Factors that could cause or contribute to such differences include those discussed in "Forward-Looking Statements", "Risk Factors" and "Business" as well as those discussed elsewhere in this document.

Unless the context otherwise requires, (i) for the purpose of this section, references to "2011", "2012" and "2013" refer to our financial years ended 31 December 2011, 2012 and 2013, respectively; and (ii) financial information described in this section is described on a combined basis.

OVERVIEW

We are an apparel supply chain manager and were established in 1991. We provide apparel supply chain management services for woven wear (such as shirts, pants, jeans and jackets). Our apparel supply chain management services include sourcing of raw materials and third-party manufacturers, sample creation, product design and development, production management, merchandising, quality control, logistics management and social compliance monitoring services.

We act as a one-stop solution provider to our customers by providing them with a wide range of services to meet their needs along the apparel supply chain. To minimise manufacturing and labour costs, we have ceased our own in-house production of apparel products at the Contract Processing Factory since April 2012 and also outsourced the labour-intensive manufacturing function to various third-party manufacturers located mainly in Cambodia, Bangladesh and the PRC. This allows us to focus our resources on the provision of apparel supply chain management services to our customers. During the Track Record Period, we derived our revenue primarily from the sale of apparel products we procured for our customers.

For the three years ended 31 December 2013, we recorded revenue of approximately HK$666.7 million, HK$463.6 million and HK$554.6 million, respectively, and net profit attributable to the owners of our Company of approximately HK$19.9 million, HK$28.6 million and HK$24.8 million, respectively.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Reorganisation as more fully explained in "History, Reorganisation and Corporate Structure — Reorganisation", our Company became the holding company of the companies now comprising our Group subsequent to the end of the Track Record Period on 17 June 2014. The companies now comprising our Group were under common control of Controlling Shareholders before and after the Reorganisation. Accordingly, for the purpose of the Accountants' Report set forth in Appendix I to this document, the financial information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The combined statements of profit or loss, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the

Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries first came under the common control of our Controlling Shareholders, where this is a shorter period. The combined statements of financial position of our Group's subsidiaries as at 31 December 2011, 2012 and 2013 have been prepared to present the assets and liabilities of our Group using the existing carrying values from our Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination.

FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Our financial conditions and results of operations have been and will continue to be affected by a number of factors that are beyond our control, including those discussed below.

Change in economic conditions in the US

The US was our largest market in terms of the sales amount in the Track Record Period based on the geographical location of the shipment destination of the apparel products we procured for our customers. Sales to the US, accounted for approximately 91.0%, 90.4% and 88.6% of our total sales during each of the three years ended 31 December 2013, respectively. Economic and political factors impacting the US market may adversely affect the purchasing decisions of our US customers. If there was a drastic decrease in the orders from our customers in the US market, we cannot guarantee that we could increase orders from other markets timely to make up for the loss of sales. This would adversely affect our profitability and financial results.

Reliance on our major customers during the Track Record Period

Sales to our top five customers represented approximately 88.7%, 84.9% and 84.8% of our total sales for the years ended 31 December 2011, 2012 and 2013, respectively and accounted for approximately 82.3%, 78.8% and 80.4% of our gross trade and bills receivables balances as at 31 December 2011, 2012 and 2013, respectively. If there is any unexpected cessation of, or substantial reduction in the volume of, orders with any of our top five customers, or if any of our customers fail to settle the sales proceeds in accordance with the agreed credit terms, or if our customers were to terminate their respective relationship with us entirely, or if there were to be a change in their creditworthiness, our business operations and financial performance would be adversely affected.

Cost fluctuations

We act as a one-stop solution provider to our customers by providing them with a wide range of services to meet their needs along the apparel supply chain. Our apparel supply chain management services include, among others, sourcing of raw materials and procurement of manufacturers.

Raw material suppliers may take into account many factors, among others, demand and supply when fixing the prices of their raw materials. Third-party manufacturers procured by us may also take into account, among others, labour wages when fixing the subcontracting fee. Increases in raw material prices and/or the subcontracting fees will increase our needs for working capital and financing, cause a drop in sales and affect our gross profit margin. If there are fluctuations and we are unable to source other appropriate substitutes or if we have to absorb the entire cost increment to our customers, our business may be adversely affected. In this connection, our gross profit margin fluctuated from approximately 12.8%, 15.8%, and 15.3% in the three years ended 31 December 2013, respectively.

Use of third-party manufacturers

To minimise manufacturing and labour costs, we have ceased our own in-house production at the Contract Processing Factory in April 2012 and also outsourced the labour-intensive manufacturing function to various third-party manufacturers mainly located in Cambodia, Bangladesh and the PRC.

During each of the three years ended 31 December 2013, the number of apparel products produced by third-party manufacturers accounted for approximately 95.0%, 97.8% and 100.0% respectively of the total apparel products procured through our services during the same respective years. If there is any disruption to the third-party manufacturers' operations, the production schedule could be delayed. Also, the reliability and efficiency of the third-party manufacturers play an important part in our apparel supply chain management services. If we cannot fulfill our customers' purchase orders, our revenue may decrease materially and our business and reputation may be harmed. In the event that the third-party manufacturers are unable or unwilling to continue to manufacture apparel products we procured for our customers, we would need to identify substitute third-party manufacturers. We may not be able to identify such third-party manufacturers with the required capacity to fulfill the order or be able to locate one in a timely manner or on commercially reasonable terms. If we were unable to secure adequate and timely supplies of apparel products to fulfill our customers' purchase orders, then our sales and gross profit margin may be adversely affected.

Even if third-party manufacturers continue to manufacture apparel products for us, they may not maintain adequate controls with respect to product specifications and quality and may not continue to manufacture apparel products that are consistent with our standards or standards stipulated by our customers. If we were forced to rely on apparel products of inferior quality, this could adversely affect customer satisfaction and adversely affect our reputation and business.

Lack of long-term agreements with our customers

We generally do not enter into long-term agreements with any of our customers (except one department store operator in the US). As such, our customers have no commitment to place future orders with us and in the event that any or a number of our customers were to cease placing orders with us, without sufficient time for us to obtain alternative orders, our results operations would be adversely affected.

Furthermore, our increase in revenue for the year ended 31 December 2012 to 31 December 2013 was mainly attributable to our top customer in 2013 with whom no agreement with minimum purchase commitment was entered into with this customer, and therefore, any decrease or termination in our sales to this customer may have a material adverse effect on our business, results of operations and financial performance.

Payment arrangements

As most of our sales are made into the US, most of our revenue is denominated in US dollars. However, we pay some of the third-party manufacturers and some of our staff in the relevant local currency. Therefore, we incur and settle such costs in Hong Kong dollars, MOP, RMB, KHR or BDT. We have not entered into any agreements to hedge our exchange rate exposure relating to any of these currencies and there is no assurance that we will be able to enter into such agreements on commercially viable terms in the future. We are therefore vulnerable to US dollars depreciation and MOP, RMB, KHR or BDT appreciation. Accordingly, we can offer no assurances that future exchange rate fluctuations between the US dollars and certain other currencies will not adversely affect our business.

In addition, we usually pay the full amount of the subcontracting fees due to the third-party manufacturers and the raw material costs due to the suppliers, before we receive payment for the relevant apparel products from our customer. If the relevant purchase order from our customer is

subsequently cancelled or we do not receive payment from our customer, we may not be able to recover our costs in respect of the payment of the raw materials and subcontracting fees and this may adversely affect our profitability and financial position.

Seasonality of apparel products

Our results of operation are affected by seasonality. We generally record higher sales from December to April for the spring/summer products as our customers have higher demand for woven wear products such as shirts and blouses for their spring/summer collections. The sales generated in these months in aggregate accounted for approximately 51.9%, 55.4% and 50.0% of the total sales during the three years ended 31 December 2013, respectively. Our revenue may be subject to seasonal factors depending on the number of purchase orders we receive for those spring/summer products from our customers. These fluctuations may vary considerably from time to time as a result of changes in seasonal demand or unpredictable weather conditions. As a result, any seasonal fluctuations reported in the future may not match our expectations and this could adversely affect our Company's financial conditions and results of operation.

Changes in government policies and regulations in Macao and in other jurisdictions

We currently enjoy tax exemptions in Macao, however, we may be subject to tax if there are any changes to tax regulations and related policies. Similarly, our business operations are carried out in various other jurisdictions and we are obligated to comply with the tax regulations of each jurisdiction. This exposes us to changes in the tax regulations of each jurisdiction and if there is a change in the tax regulations in any of the jurisdictions which we operate in, or the local authority or other parties dispute the amount of our tax filings, we may be obligated to pay a higher rate of tax or face restrictions in our business operations in those jurisdictions.

Commercial activity tax applicable in Ohio

We consider that we are not subject to the commercial activity tax in Ohio based on the reasons and factors as mentioned in the section headed "Risk Factors — Risks relating to our business — We could be subject and required to pay the commercial activity tax applicable in Ohio and as a result, our financial condition and operating results may be adversely affected". However, in case our position is challenged by the US courts and that the arguments advised by our US legal advisers are not accepted, we could be subject to a commercial activity tax applicable in Ohio for the years in which our gross revenue from the sale of goods that are shipped to Ohio exceeds US$500,000. If we are subject to the commercial activity tax, we are required to pay the commercial activity tax and as a result, our financial condition and operating results may be adversely affected. For details regarding the applicable tax rates under the commercial activity tax, please refer to "Risk Factors — Risks relating to our business — We could be subject and required to pay the commercial activity tax applicable in Ohio and as a result, our financial condition and operating results may be adversely affected".

Our Group's tax position in the US

Notwithstanding that approximately over 88% of our revenue was generated from our sales to customers based in the US during the Track Record Period, as advised by our US legal advisers, under our business model and the applicable US laws and regulations, we were not a US tax payer and were not subject to the following US taxes during the Track Record Period and up to the Latest Practicable Date for the reasons described below:

(a) we were not subject to US federal income tax due to the following reasons:

    (i) we did not perform any services in connection with our customer contracts within the US;

(ii) the apparel products that were procured by us for our customers were provided to the US customers on Free On Board (FOB) terms at the shipping point which was outside of the US; and

(iii) our income received from the US customers was not attributable to an office in the US (see detailed explanation below);

(b) we were not subject to state sales tax as all apparel products procured by us were provided to the US customers for resale to retail consumers; and

(c) we were not subject to state net income tax as our activities in the US were limited to no more than promotional and advertising activities for solicitation of contracts (including giving information to existing customers and investigating possible business opportunities with potential new customers) and the US customer contracts were accepted by us outside of the US.

As advised by our US legal advisers, the business premises of the US consultant will not be regarded as our US office as the US consultant does not have the authority to negotiate and conclude contracts in the name of our Group, and the US consultant does not possess a stock of merchandise belonging to us that is regularly used to satisfy customer orders. We confirm that the business premises of the US consultant is not leased, owned or used, by us. We also confirm that we have not established any office or similar business presence in the US, and we have no present intention to do so in the near future.

As advised by our US legal advisers, going forward, under our current business model and assuming that there is no change to the current applicable US laws and regulations, we will not be a US tax payer and will not be subject to the above US taxes for the reasons stated above.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates refer to those accounting policies and estimates that entail significant uncertainty and judgment, and could yield materially different results under different conditions and/or assumptions. The preparation of the financial information in conformity with HKFRSs requires our management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The methods and approach that we use in determining these items is based on our experience, the nature of our business operations, the relevant rules and regulations and the relevant circumstances. These underlying assumptions and estimates are reviewed regularly as they may have a significant impact on our operational results as reported in our combined financial statements included elsewhere in this document. Below is a summary of the accounting policies in accordance with HKFRSs that we believe are important to the presentation of our financial results and involve the need to make estimates and judgments about the effect of matters that are inherently uncertain. We also have other policies, judgments, estimates and assumptions that we consider as significant, which are set out in detail in notes 4 and 5 to the Accountants' Reports.

Revenue recognition

Our Group is principally engaged in the apparel supply chain management services business and generates revenue from the sales of apparel products under our supply chain management services. Revenue is recognised when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of the apparel products we procured for our customers, when the significant risks and rewards of ownership have been transferred to the buyer, provided that our Group

maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over such apparel products sold;

(b) rework and compensation income, when the right to receive payment has been established. Rework and compensation income mainly represented (i) the rework costs or compensation received from the raw material suppliers and third-party manufacturers for the defective raw materials and defective apparel products; and (ii) cancellation charges on job orders cancelled by our customers with short notices;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established. We have invested in listed securities and such securities generated dividend income during the Track Record Period.

Inventories

Prior to the cessation of our in-house production of apparel products at the Contract Processing Factory, our inventories comprised (i) raw materials used in our in-house production, work in progress products and finished goods manufactured by us; and (ii) raw materials we purchased and supplied to third-party manufacturers for their production, work in progress products and finished goods manufactured by them. After the cessation of our in-house production, our inventories only comprised raw materials we purchased and supplied to third-party manufacturers for their production, work in progress products and finished goods manufactured by them. Our inventories are stated at the lower of cost and net realisable value. Cost mainly comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. Our management reassesses these estimates at the end of each year of the Track Record Period.

Write-down of inventories to net realisable value

Our management reviews the condition of inventories of our Group and write-down the carrying amounts of obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use to their respective net realisable value. Our management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions at the end of each year of the Track Record Period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories is recognised in the periods in which such estimates have been changed.

Impairment of financial assets

Our Group assesses at the end of each year of the Track Record Period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or our Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

During the Track Record Period, our Group provided loans to certain third-party manufacturers. In addition, we had other receivables from certain third-party manufacturers under our arrangement with them which mainly represented (i) amount of raw materials costs which we paid on behalf of them; and (ii) our advances to third-party manufacturers who required us to make partial or full prepayment for their subcontracting fees. The details of such loans and receivables are set out in "Analysis of other selected financial position items — Prepayment, deposits and other receivables". During the Track Record Period, no impairment of such loans and other receivables were made.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each year of the Track Record Period, taking into consideration interpretations and practices prevailing in the countries in which our Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each year of the Track Record Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

During the Track Record Period, our income tax expense mainly comprised amounts of current income tax paid or payable by us, at the applicable tax rates in accordance with the relevant laws, regulations and jurisdictions in which members of our Group domiciled and operated.

Our income tax expenses for the years ended 31 December 2011, 2012 and 2013 were approximately HK$0.7 million, HK$2.5 million and HK$2.2 million, respectively. Our effective tax rates for the three years ended 31 December 2011, 2012 and 2013 were approximately 3.3%, 8.2% and 8.0%, respectively.

Our income tax expenses for the Track Record Period represented our tax liabilities pursuant to the tax rules and regulations in Hong Kong, PRC and Cambodia in which members of our Group operate. We enjoyed relatively low effective income tax rates for the Track Record Period, which is mainly due to much of our revenue was derived from Hanbo Enterprises Macao, the taxable income of which is exempted from Macao complementary tax under the current Macao Offshore Law. The details of our income tax expenses are set out in "— Principal statement of profit or loss components — Income tax expense".

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each financial years of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provision for restructuring is recognised based on the best estimation on probable direct expenditures arising from the restructuring, which are those that are necessarily entailed by the restructuring; and not associated with the ongoing activities of the entity. The estimation is reviewed on an ongoing basis and revised where appropriate.

Our provision represented provision for restructuring for our operation in the PRC. The provision mainly comprised severance payments for those employees being terminated when our subsidiary in Shanghai, the PRC, ceased its liaison function and our Contract Processing Factory ceased our in-house production of apparel products. The amount of provision was based on our management's best estimate of probable future payments in connection with our restructuring plan. The provision was fully utilised in 2012.

SUMMARY RESULTS OF OPERATIONS

The following is a summary of our combined results for the Track Record Period, which have been extracted from the Accountants' Report set forth in Appendix I to this document.

	Year ended 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	666,739	463,568	554,589
Cost of sales	(581,668)	(390,366)	(469,981)
Gross profit	85,071	73,202	84,608
Other income and gains	5,490	9,112	4,642
Selling and distribution costs	(1,879)	(1,371)	(1,845)
Administrative expenses	(59,986)	(47,568)	(49,462)
Other expenses	(6,652)	(1,728)	(10,693)
Finance cost	(1,488)	(527)	(265)
Profit before tax	20,556	31,120	26,985
Income tax expense	(688)	(2,548)	(2,172)
Profit for the year	19,868	28,572	24,813
Profit attributable to:			
Owners of our Company	19,868	28,572	24,813
Non-controlling interests	—	—	—
	19,868	28,572	24,813

PRINCIPAL STATEMENT OF PROFIT OR LOSS COMPONENTS

Revenue

Our Group's revenue was substantially generated from trading of apparel products and provision of apparel supply chain management services during the Track Record Period.

During the Track Record Period, we generated over 88% of our revenue from the apparel products procured for our customers shipped to the US. The following table sets out a breakdown of our revenue by geographical location of the shipment destination of the products during the Track Record Period:

	For the year ended 31 December					
	2011		2012		2013	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
US	606,583	91.0	418,900	90.4	491,639	88.6
Canada	20,780	3.1	15,082	3.3	19,896	3.6
Netherlands	18,178	2.7	9,066	2.0	11,485	2.1
Hong Kong	9,368	1.4	5,646	1.2	3,623	0.7
UK	2,164	0.3	8,180	1.8	13,858	2.5
Others	9,666	1.5	6,694	1.3	14,088	2.5
Total	666,739	100.0	463,568	100.0	554,589	100.0

Note: During the Track Record Period, we procured apparel products for our customers with the final shipment destinations of such apparel products including, but not limited to, Australia, Brazil, China, Cambodia, Indonesia, Japan, Korea, Mexico, Taiwan, Singapore, Thailand, Spain, France, Germany, Turkey and United Arab Emirates.

Our sales volume is determined by our customers' demand which is in turn affected by the macro consumer market and performance of our services. We were able to achieve growing average selling price during the Track Record Period. The table below sets forth our sales volume and average selling price of the apparel products for the Track Record Period:

	For the year ended 31 December		
	2011	2012	2013
Sales volume *(approximately '000 units)*	11,868	7,884	8,939
Average selling price *(approximately HK$) (Note)*	56.2	58.8	62.0

Note: The average selling price represents the revenue for the financial year divided by the total sales volume for the financial year.

Our business and operating results are subject to seasonal fluctuations. We generally record higher sales from December to April for the spring/summer products as our customers have higher demand for our major product of woven wear such as shirts and blouses for their spring/summer collections. The sales generated in these months in aggregate accounted for approximately 51.9%, 55.4% and 50.0% of the total sales during the three years ended 31 December 2013, respectively.

Cost of sales

Our cost of sales primarily consists of subcontracting fees, direct labour costs, cost of raw materials and other direct costs. Under our provision of apparel supply chain management services during the Track Record Period, we incurred cost of sales under different types of arrangements, as detailed below:

- for sales orders that we produced in-house at our Contract Processing Factory, we incurred cost of raw materials, direct labour costs and other costs such as the operating costs and overhead of our Contract Processing Factory for fulfilling the orders. Such arrangement had been terminated after the cessation of our in-house production at the Contract Processing Factory since April 2012;

- for sales orders that we allocated to our third-party manufacturers in whole that they are responsible for procurement of the raw materials and production, we mainly incurred subcontracting fees paid to our third-party manufacturers. We sometimes paid the cost of raw materials directly to the raw materials suppliers on behalf on our third-party manufacturers; and

- for sales orders that we supplied all the raw materials and our third-party manufacturers are only responsible for production, we incurred cost of raw materials paid to the raw materials suppliers and subcontracting fees paid to our third-party manufacturers.

The following table sets out a breakdown of our Group's cost of sales during the Track Record Period:

	For the year ended 31 December					
	2011		2012		2013	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Subcontracting fees	516,973	88.9	365,066	93.5	458,738	97.6
Raw materials	42,382	7.2	12,183	3.1	2,729	0.6
Direct labour costs	10,826	1.9	3,734	1.0	—	—
Other costs	11,487	2.0	9,383	2.4	8,514	1.8
	581,668	100.0	390,366	100.0	469,981	100.0

Subcontracting fees, which represented fees paid to the third-party manufacturers, was the largest component of our cost of sales during the Track Record Period. The subcontracting fees charged by the third-party manufacturers were based on the volume of orders allocated to them and the third-party manufacturers usually adopted cost-plus models so that the subcontracting fees are charged based on the cost of raw materials to be sourced (as the case may be) and other costs for production with the mark-up margin determined based on a number of factors including the timing of delivery, the number of steps involved in the production process and the complexity of such steps. Raw materials represented purchase cost of raw materials such as fabric and ancillary raw materials such as buttons zippers and threads. During the two years ended 31 December 2012, cost of raw materials represented (i) the raw materials we purchased and supplied to our third-party manufacturers for their production; and (ii) the raw materials we purchased for our in-house production at the Contract Processing Factory. After the cessation of our in-house production at the Contract Processing Factory since April 2012, the cost of raw materials represented the raw materials we purchased and supplied to our third-party manufacturers for their production. Direct labour costs represented the staff costs incurred for our in-house production at the Contract Processing Factory. Other costs include miscellaneous costs such as freight charges, inspection charges, declaration fees, depreciation, insurance and manufacturing overheads.

Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin during the Track Record Period:

	For the year ended 31 December		
	2011	2012	2013
	HK$000	*HK$000*	*HK$000*
Gross profit	85,071	73,202	84,608

	For the year ended 31 December		
	2011	2012	2013
Gross profit margin	12.8%	15.8%	15.3%

Note: Gross profit margin is computed by dividing the gross profit by revenue for the corresponding year and multiplied by 100%.

Our gross profit decreased by approximately HK$11.9 million, or 14.0%, from approximately HK$85.1 million for the year ended 31 December 2011 to approximately HK$73.2 million for the year ended 31 December 2012 which is generally in line with our decrease in revenue during 2012. Despite the decrease in gross profit, our gross profit margin increased from approximately 12.8% for the year ended 31 December 2011 to approximately 15.8% for the year ended 31 December 2012. Such

increase was primarily due to (i) the unexpected increase in cotton price in 2011 which reduced our gross profit margin as we were unable to pass the increased cost to our customers for the year ended 31 December 2011; and (ii) in 2012, we are able to increase the average selling prices taking into consideration our increased cost in 2011 and the gradual acceptance of such increase by our customers, while price of cotton (and thus, our raw materials, fabrics) stabilised in 2012, resulting in the increase in average selling price of our apparel products was higher than the increase in the per unit average cost of our apparel products for the year ended 31 December 2012.

Our Group's gross profit increased by 15.6% from approximately HK$73.2 million for the year ended 31 December 2012 to approximately HK$84.6 million for the year ended 31 December 2013, which is generally in line with increase in our revenue for the year ended 31 December 2013 as compared to the year ended 31 December 2012. Our Group's gross profit margin remained stable at approximately 15.3% for the year ended 31 December 2013 as compared to approximately 15.8% for the year ended 31 December 2012.

Other income and gains

During the Track Record Period, our other income and gains mainly comprised realised and unrealised fair value gains on equity investments at fair value through profit or loss, rework and compensation income, net exchange gain and sale of scrap materials.

The following table sets out the breakdown of other income and gains during the Track Record Period:

	For the year ended 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Other income			
Sale of scrap materials	2,496	2,433	1,397
Rework and compensation income	1,421	2,110	1,076
Dividend income from listed equity investments	30	467	—
Sundry income	147	146	427
Bank interest income	76	170	338
Other interest income	120	120	—
	4,290	5,446	3,238
Gains			
Fair value gains on equity investments at fair value through profit or loss			
- Unrealised	—	3,107	—
- Realised	—	—	769
Exchange gains, net	1,200	283	635
Gain on disposal of items of property, plant and equipment	—	177	—
Gain on deregistration of a subsidiary	—	99	—
	1,200	3,666	1,404
	5,490	9,112	4,642

Sale of scrap materials represented the sale of defective apparel products and leftover raw materials, which amounted to approximately HK$2.5 million, HK$2.4 million and HK$1.4 million for the three years ended 31 December 2013, respectively. We sold defective apparel products mainly to the jobbers after obtaining approvals from our customers during the Track Record Period.

Rework and compensation income mainly represented (i) the rework costs or compensation received from the raw material suppliers and third-party manufacturers for the defective raw materials and defective apparel products; and (ii) cancellation charges on job orders cancelled by our customers

with short notices, which amounted to approximately HK$1.4 million, HK$2.1 million and HK$1.1 million for each of the three years ended 31 December 2013, respectively.

Sundry income primarily represented sample fees received from our customers and other miscellaneous income, which amounted to approximately HK$0.1 million, HK$0.1 million and HK$0.4 million for each of the three years ended 31 December 2013, respectively. The increase in 2013 was mainly due to the sale of scrap metal from the Contract Processing Factory after its closure in 2012.

Bank interest income primarily represented interest income earned on bank deposits of approximately HK$76,000, HK$0.2 million and HK$0.3 million for the three years ended 31 December 2013, respectively.

Other interest income represented the interest charged on the loan due from Herotime Shenzhen of HK$2.0 million as at 31 December 2011 and 2012, which was at a rate of 6% per annum and the loan was repayable within one year from 31 December 2011 and 2012. Such loan balance was non-interest bearing in 2013 and was set off against the current accounts with our Controlling Shareholders during the year ended 31 December 2013 pursuant to a net off agreement dated 27 December 2013 entered into between our Group, our Controlling Shareholders and the Herotime Shenzhen (the "**Net-off Agreement**"). Therefore, we incurred other interest income of approximately HK$0.1 million, HK$0.1 million and nil for each of the three years ended 31 December 2013, respectively.

Fair value gains on equity investments at fair value through profit or loss represented our investment in securities in the Hong Kong stock market. We have invested in such securities through an investment account opened at Mars Securities Company Limited ("**Mars Securities**"), a company which is held by Mr. Liu YY, with the initial intention of increasing the return of our surplus cash position. Such securities were disposed of in January 2013 which was recognised as realised gain of approximately HK$0.8 million for the year ended 31 December 2013. The price appreciation of such securities from the initial purchase date or financial year end date (as the case may be) to 31 December 2012 had been accounted for as unrealised fair value gains of approximately HK$3.1 million for the year ended 31 December 2012. During the year ended 31 December 2011, we recorded unrealised fair value loss on equity investments of approximately HK$1.3 million due to their price depreciation. Such securities also generated dividend income from listed equity investments of approximately HK$30,000 and HK$0.5 million for each of the two years ended 31 December 2012, respectively.

Our Group does not make further investment in any securities markets after the disposal of our Group's securities in January 2013 and we have no current intention to make investment in any securities markets after Listing. We also terminated the investment account at Mars Securities in December 2013. Meanwhile, our Group has established an investment policy which sets forth our guidelines over our investment in securities activities. The investment policy covers the requirements in setting up investment objectives, ongoing evaluation and monitoring, disposal procedures as well as accounting record. We also designated our financial controller to monitor our Group's investments and report to the Board regularly.

Our Group recorded net exchange gains of approximately HK$1.2 million, HK$0.3 million and HK$0.6 million for each of the three years ended 31 December 2013, respectively, which were arising from the appreciation of the RMB against the USD while we used slightly lower than the then average market rate for recording foreign currencies transactions in our accounts.

The gain on disposal of items of property, plant and equipment of approximately HK$0.2 million represented the gain arising from our sale of machineries of the Contract Processing Factory to third-party manufacturers after we have ceased our in-house production at the Contract Processing Factory during the year ended 31 December 2012.

The gain on deregistration of a subsidiary of approximately HK$99,000 was a result of deregistration of our subsidiary in Shanghai, the PRC as we ceased its liaison function and such deregistration was completed in 2012.

Selling and distribution costs

Selling and distribution costs primarily consist of (i) sample cost; (ii) travelling expenses; (iii) electronic data interchange charges ("**EDI charges**"); (iv) entertainment expenses; (v) air freight charges; and (vi) other selling and distribution expenses. The following table sets out a breakdown of our Group's selling and distribution costs during the Track Record Period:

	For the year ended 31 December					
	2011		2012		2013	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Sample cost	760	40.4	417	30.4	281	15.2
Travelling expenses	449	23.9	323	23.6	411	22.3
EDI charges	269	14.3	168	12.3	258	14.0
Entertainment expenses	235	12.5	255	18.6	121	6.6
Air freight charges	148	7.9	184	13.4	774	41.9
Others	18	1.0	24	1.7	—	—
	1,879	100.0	1,371	100.0	1,845	100.0

During the Track Record Period, our selling and distribution costs remained stable that it represented 0.3%, 0.3% and 0.3% of our revenue for each of the three years ended 31 December 2013, respectively.

Administrative expenses

During the Track Record Period, our administrative expenses mainly comprised staff costs, office expenses and utilities, rental expenses for our office premises, bank charges, consultancy fee, depreciation, legal and professional fee and other administrative expenses. Administrative expenses represented approximately 9.0%, 10.3% and 8.9% of our revenue for each of the three years ended 31 December 2013, respectively. The following table sets out a breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 December					
	2011		2012		2013	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Staff costs	32,807	54.7	29,037	61.0	29,136	58.9
Office expenses and utilities	7,735	12.9	5,661	11.9	5,433	11.0
Rental expenses	3,847	6.4	3,474	7.3	2,157	4.3
Bank charges	3,819	6.4	2,651	5.6	3,006	6.1
Consultancy fee	3,547	5.9	710	1.5	592	1.2
Depreciation	2,496	4.2	1,203	2.6	1,031	2.1
Legal and professional fee	34	0.1	214	0.4	1,140	2.3
Others	5,701	9.4	4,618	9.7	6,967	14.1
Total	59,986	100.0	47,568	100.0	49,462	100.0

Other expenses

During the Track Record Period, our other expenses mainly comprised (i) the expenses incurred for the **[REDACTED]**; (ii) rework cost paid to our customers for the defective products and late delivery of apparel products; (iii) written off of items of property, plant and equipment; and (iv) unrealised fair value losses on equity investments at fair value through profit or loss. They represented approximately 1.0%, 0.4% and 1.9% of our revenue for each of the three years ended 31 December 2013, respectively.

Finance cost

During the Track Record Period, our finance cost mainly represented interest expenses on trust receipt loans for our purchases of raw materials and payment of subcontracting fees. The interest expenses on trust receipt loans were approximately HK$1.5 million, HK$0.5 million and HK$0.3 million for each of the three years ended 31 December 2013, respectively.

Income tax expense

During the Track Record Period, our income tax expense mainly comprised amounts of current income tax paid or payable by us, at the applicable tax rates in accordance with the relevant laws, regulations and jurisdictions in which members of our Group domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, our Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for each year of the Track Record Period.

All subsidiaries of our Company established in Mainland China are subject to the PRC corporate income tax at a standard rate of 25% for each year of the Track Record Period.

No provision for Macao complementary tax has been made as our Company's subsidiary established in Macao is exempted from Macao complementary tax pursuant to Macao's relevant tax legislations. As advised by our Company's legal advisers as to Macao law, under the current Macao Offshore Law, as an offshore commercial service institution duly set up with authorisation from the Macao Trade and Investment Promotion Institute, Hanbo Enterprises Macao is exempted from Macao complementary tax, industrial tax and stamp duties levied on various acts, contracts, and transactions carried out within the scope of its offshore business undertaking relevant administration works. In addition, as duly authorised offshore institution is exempted from Macao complementary tax when the income is generated through the engagement in offshore business that target only overseas residents as customers and use only non-Macau currency in their activities.

Cambodian tax on profit has been provided at the rate of 20% on the estimated assessable profits arising in Cambodia or at a minimum tax amount, whichever is higher, for each year of the Track Record Period.

No provision for Bangladesh income tax has been made for the liaison office of our Company's subsidiary as no assessment profit in Bangladesh was generated during the Track Record Period.

Our income tax expenses for the years ended 31 December 2011, 2012 and 2013 were approximately HK$0.7 million, HK$2.5 million and HK$2.2 million, respectively. Our effective tax rates for the years ended 31 December 2011, 2012 and 2013 were approximately 3.3%, 8.2% and 8.0%, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2012 compared to year ended 31 December 2013

Revenue

Our revenue increased to approximately HK$554.6 million for the year ended 31 December 2013 from approximately HK$463.6 million for the year ended 31 December 2012, representing an increase of approximately 19.6%. Such increase was mainly attributable to the increase in revenue from the

orders with the US as the shipment destination which increased from approximately HK$418.9 million for the year ended 31 December 2012 to approximately HK$491.6 million for the year ended 31 December 2013, representing an increase of approximately 17.4%. Such increase was primarily due to the increases in our average selling price and sales volume during the year ended 31 December 2013. Our average selling price increased from approximately HK$58.8 for the year ended 31 December 2012 to approximately HK$62.0 for the year ended 31 December 2013, representing an increase of approximately 5.4%. The increase was primarily resulting from the launch by our top customer of its new brand of apparel products since August 2012. The apparel products of such new brand were of higher quality of raw materials and with sophisticated design which drove up our average selling price in the first three quarters of 2013. Subsequently, due to further change of business strategy of such customer from selling mid-end products to price competitive products, our average selling price of the apparel products for such customer decreased since the fourth quarter of 2013. However, the overall average selling price of the apparel products for such customer was increased to approximately HK$70.3 for the year ended 31 December 2013 from approximately HK$61.8 for the year ended 31 December 2012. Excluding the effect of such customer, our average selling price remained stable at approximately HK$59.4 in 2013. Our sales volume increased from approximately 7.9 million units for the year ended 31 December 2012 to approximately 8.9 million units for the year ended 31 December 2013 which was also mainly attributable to the increase in sales volume ordered by such customer due to the launch of its new business direction including the launch of its new brand since August 2012. Such customer increased it sales volume by approximately 1.2 million units for the year ended 31 December 2013 as compared with the same period in 2012. The total sales orders we received from such customer increased by approximately HK$91.9 million, represented an increase of approximately 130.2% for the year ended 31 December 2013 as compared to its sales orders for the year ended 31 December 2012.

Cost of sales

Our cost of sales increased to approximately HK$470.0 million for the year ended 31 December 2013 from approximately HK$390.4 million for the year ended 31 December 2012, representing an increase of approximately 20.4%. Our average cost of sales per unit increased from approximately HK$49.5 for the year ended 31 December 2012 to approximately HK$52.6 for the year ended 31 December 2013, represented an increase of approximately 6.3% primarily as a result of increase in subcontracting fees. Subcontracting fees paid to third-party manufacturers for the manufacturing of apparel products, which represented approximately 93.5% and 97.6% of the total cost of sales for each of the two years ended 31 December 2013, respectively, was the largest component of our cost of sales. Such fees increased to approximately HK$458.7 million for the year ended 31 December 2013 from approximately HK$365.1 million for the year ended 31 December 2012, representing an increase of approximately 25.7%. Such increase was generally in line with the increase in our revenue and sales volume for the year ended 31 December 2013 as compared with that for the year ended 31 December 2012.

Raw materials cost significantly decreased to approximately HK$2.7 million for the year ended 31 December 2013 from approximately HK$12.2 million for the year ended 31 December 2012, representing a decrease of approximately 77.6%, which was mainly due to (i) our Contract Processing Factory ceased our in-house production in April 2012 and therefore we were no longer required to purchase raw materials for our in-house production; and (ii) the significant decrease in number of orders which we allocated to our third-party manufacturers that we supplied the raw materials to them for production in 2013, due to the increase in labour wages in southern China where most of the production plants of these third-party manufacturers located which in turn increase the cost of our apparel products. Further, we increased our sales orders allocated to the third-party manufacturers in whole that they were responsible for procurement of raw materials so that we could gradually reduce our level of inventory and related risk.

Other direct cost remained relatively stable and represented approximately 2.4% and 1.8% of total cost of sales for the two years ended 31 December 2013, respectively.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately HK$11.4 million, or 15.6%, from approximately HK$73.2 million for the year ended 31 December 2012 to approximately HK$84.6 million for the year ended 31 December 2013. Our gross profit margin remained relatively stable that it slightly decreased from approximately 15.8% for the year ended 31 December 2012 to approximately 15.3% for the year ended 31 December 2013. The decrease was primarily because the increase in average selling price of our apparel products was lower than the increase in the per unit average cost of our apparel products, mainly resulting from our acceptance of orders with relatively lower margin during the period from one of our major customers, as such orders constituted apparel products which we considered to be of simple and basic style.

Other income and gains

Other income and gains decreased by approximately 49.1% from approximately HK$9.1 million for the year ended 31 December 2012 to approximately HK$4.6 million for the year ended 31 December 2013, primarily as a result of the combined effect of (i) the decrease in rework and compensation income received from the raw materials suppliers and third-party manufacturers for defective raw materials and defective apparel products by approximately HK$1.0 million for the year ended 31 December 2013; (ii) the decrease in sale of scrap materials by approximately HK$1.0 million for the year ended 31 December 2013 primarily as a result of our reduction in purchase of raw materials after we have ceased our in-house production at the Contract Processing Factory in April 2012 and therefore reduced the amount of leftover fabric; and (iii) the realised fair value gains on equity investments at fair value through profit or loss of approximately HK$0.8 million for the year ended 31 December 2013 which was accounted for as unrealised fair value gains of approximately HK$3.1 million for the year ended 31 December 2012.

Selling and distribution costs

Our selling and distribution costs increased by approximately 34.6% from approximately HK$1.4 million for the year ended 31 December 2012 to approximately HK$1.9 million for the year ended 31 December 2013, which was generally in line with the increase in revenue. It remained stable that it represented approximately 0.3% and 0.3% of our Group's revenue for each of the two years ended 31 December 2013, respectively.

The increase in selling and distribution costs was mainly due to the increase in air freight charges. Air freight charges was the major component of selling and distribution costs for the year ended 31 December 2013. It accounted for approximately 13.4% and 41.9% of the total selling and distribution cost for each of the two years ended 31 December 2013, respectively. As there were certain occasions involving unusual increase in delay in production from third-party manufacturers and supply of raw materials from the suppliers in 2013, our Group expedited its delivery of products by air freight instead of vessels so as to minimise compensation arising from late delivery, which drove up the air freight charges by approximately HK$0.6 million from approximately HK$0.2 million for the year ended 31 December 2012 to approximately HK$0.8 million for the year ended 31 December 2013.

Our sample cost mainly represented the cost of raw materials for the production of sample for our customers' consideration. It decreased slightly from approximately HK$0.4 million for the year ended 31 December 2012 to approximately HK$0.3 million for the year ended 31 December 2013, represented approximately 30.4% and 15.2% of the total selling and distribution costs for each of the two years ended 31 December 2013, respectively.

Travelling expenses remained relatively stable which represented approximately 23.6% and 22.3% of the total selling and distribution costs for each of the two years ended 31 December 2013, respectively.

EDI charges represented the charges we paid for the electronic data interchange system which is a system designated by some of our customers for us to receive their purchase orders, submit shipping documents and packing information. Our EDI charges were approximately HK$0.2 million and HK$0.3 million, represented approximately 12.3% and 14.0% of the total selling and distribution costs for the two years ended 31 December 2013, respectively. The increase was generally in line with our increase in sales to the customers with such system as the charges were based on the number of the purchase orders we made with them.

Entertainment expenses represented approximately 18.6% and 6.6% of the total selling and distribution costs for the two years ended 31 December 2012 and 2013, respectively. A decrease in entertainment expenses by approximately 52.5% was mainly due to more effort asserted in the control on the entertainment expense.

Administrative expenses

Our administrative expenses remained stable at approximately HK$47.6 million and HK$49.5 million for each of the two years ended 31 December 2013, respectively.

Staff costs mainly consisted of salaries, wages, bonuses, other staff expenditure such as pension scheme contribution, welfare and other benefits. It remained relatively stable at approximately HK$29.0 million and HK$29.1 million for each of the two years ended 31 December 2013, respectively, and represented the major component of our administrative expenses which accounted for approximately 61.0% and 58.9% of our total administrative expenses for each of the two years ended 31 December 2013, respectively.

Office expenses and utilities mainly represented the electricity, communication charges and administrative expenses. The amount remained stable at approximately HK$5.7 million and HK$5.4 million for each of the two years ended 31 December 2013, respectively.

Rental expenses mainly represented the rental and related expenses paid or payable for our Group's office premises in Hong Kong, Shenzhen, the PRC, Macao, Bangladesh and Cambodia and dormitory in Shenzhen leased by us for our staff. For each of the two years ended 31 December 2013, rental expenses accounted for approximately 7.3% and 4.3% of our Group's administrative expenses, respectively. Our rental expenses decreased to approximately HK$2.2 million for the year ended 31 December 2013 from approximately HK$3.5 million for the year ended 31 December 2012, representing a decrease of approximately 37.9%. The decrease was mainly due to our Contract Processing Factory ceased our in-house production in April 2012 which reduced the rental expenses by approximately HK$1.3 million.

Bank charges mainly represented the charges payable to banks for utilisation of letter of credit and bills by our customers and to our suppliers. Our bank charges increased to approximately HK$3.0 million for the year ended 31 December 2013 from approximately HK$2.7 million for the year ended 31 December 2012, representing an increase of approximately 13.4%, which was generally in line with the increase in number of orders for the year ended 31 December 2013.

Consultancy fee mainly represented the fees paid to (i) our US consultant who is based in New York to assist us in gathering market information on potential new US customers (based on which we decide whether to approach the relevant potential new US customer(s)), and developing new relationships with potential new US customers, with an aim of expanding our base of US customers, and; and (ii) our PRC consultant previously engaged for providing marketing services in the PRC. The decrease of approximately HK$0.1 million was due to our termination of the engagement with one of our two PRC consultants in early 2013.

The legal and professional fee of approximately HK$1.1 million represented the advisory fee for restructuring of our Group due to our geographic expansion that we opened our office in Cambodia in 2013.

Other administrative expenses mainly included auditor's remuneration, travelling expenses, insurance expense, entertainment expenses, management fees, motor expense, depreciation and sundry expenses. It increased from approximately HK$4.6 million for the year ended 31 December 2012 to approximately HK$7.0 million for the year ended 31 December 2013, which was mainly due to the value added tax in the PRC charges of approximately HK$1.2 million charged on our fund transit to Yibao Clothing during 2013.

Other expenses

The amount has increased to approximately HK$10.7 million for the year ended 31 December 2013 from HK$1.7 million for the year ended 31 December 2012, representing an increase of approximately 5.2 times. The significant increase was mainly attributable to the (i) the **[REDACTED]** of approximately HK$**[REDACTED]**, of which approximately HK$**[REDACTED]** is charged as expenses; and (ii) increase in rework cost of approximately HK$1.3 million because of the increase in customer claims for the defective apparel products, mainly as a result of an one-off compensation paid to one of our customers for defective products in 2013 of approximately HK$0.7 million.

Finance costs

Our finance costs mainly represented interest expenses on trust receipt loans for our purchases of raw materials and interest expenses on letter of credits for our payment of the subcontracting fees. The interest expenses on such were approximately HK$0.5 million and HK$0.3 million for each of the two years ended 31 December 2013, respectively. Such decrease was mainly due to our increase in making trust receipt loans from the bank bearing lower interest rate during the year ended 31 December 2013 as compared with 2012.

Income tax expense

Our income tax expense decreased by approximately HK$0.4 million from approximately HK$2.5 million for the year ended 31 December 2012 to approximately HK$2.2 million for the year ended 31 December 2013. The decrease was primarily as a result of our decrease in fair value gain on equity investments, which was subject to income tax, by approximately HK$2.3 million for the year ended 31 December 2013 as compared with 2012.

Profit attributable to owners of our Company and net profit margin

As a result of the foregoing, our Group's net profit decreased by approximately HK$3.8 million, or by approximately 13.2%, from approximately HK$28.6 million for the year ended 31 December 2012 to approximately HK$24.8 million for the year ended 31 December 2013.

Year ended 31 December 2012 compared to year ended 31 December 2011

Revenue

Our revenue decreased to approximately HK$463.6 million for the year ended 31 December 2012 from approximately HK$666.7 million for the year ended 31 December 2011, representing a decrease of approximately 30.5%. Such decrease was mainly attributable to the decrease in number of orders placed by our customers requesting the US as the shipment destination for the year ended 31 December 2012 as compared with that for the year ended 31 December 2011. The decrease in revenue from orders requesting the US as the shipment destination from the year ended 31 December

2011 to the year ended 31 December 2012 represented approximately 92.4% of our decrease in total revenue.

Notwithstanding our revenue decreased during the year ended 31 December 2012, our average selling price increased from approximately HK$56.2 for the year ended 31 December 2011 to approximately HK$58.8 for the year ended 31 December 2012, representing an increase of approximately 4.6%. The price of cotton was surging in 2011 as mentioned in the section headed "Industry Overview — Historical price trends of raw materials and final products" in this document. In order to offer competitive prices to our key customers with long-term business relationship and to strengthen our competitive position in the industry, we did not increase our selling prices in proportion to the increase in cotton price. Accordingly, we were unable to pass the unexpected increase in cotton price to our customers as their retail prices had not been adjusted to absorb the increased cost. As a result, our average selling price was lower in 2011 as compared with 2012. During the year ended 31 December 2012, our customers adjusted their retail prices to reflect the increased cost we experienced in 2011. Further, one of our top five customers offered higher selling price to us as a result of the launch of its new brand of apparel products in August 2012. The apparel products of its new brand were of high quality of raw materials and with sophisticated design, which drove up our average selling price in the last five months of 2012. Therefore, our average selling price increased from approximately HK$56.2 for the year ended 31 December 2011 to approximately HK$58.8 for the year ended 31 December 2012. However, our overall sales received from such customer decreased by approximately HK$67.7 million during 2012 as a result of the change in its business strategy that fewer clearance sales were made which led to reduced sales volume. Further, due to the US economic downturn in 2011, most of our customers became prudent in projecting their sales amounts and had tightened their budgets for purchase of our apparels products in 2012. Our sales volume was therefore being affected and decreased from approximately 11.9 million units for the year ended 31 December 2011 to approximately 7.9 million units for the year ended 31 December 2012. As a result of the foregoing, we experienced a decrease in revenue for the year ended 31 December 2012.

Cost of sales

Our cost of sales decreased to approximately HK$390.4 million for the year ended 31 December 2012 from approximately HK$581.7 million for the year ended 31 December 2011, representing a decrease of approximately 32.9%. Our average cost of sales per unit was relatively stable that it increased from approximately HK$49.0 for the year ended 31 December 2011 to approximately HK$49.5 for the year ended 31 December 2012, represented an increase of approximately 1.0%.

Subcontracting fees paid to third-party manufacturers for the production of apparel products, which represented approximately 88.9% and 93.5% of the total cost of sales for each of the two years ended 31 December 2012, respectively, was the largest component of our cost of sales. However, such fees decreased to approximately HK$365.1 million for the year ended 31 December 2012 from approximately HK$517.0 million for the year ended 31 December 2011, representing a decrease of approximately 29.4%. Such decrease was generally in line with the decrease in our revenue of approximately 30.5% for the year ended 31 December 2012 as compared with that for the year ended 31 December 2011.

Raw materials cost decreased to approximately HK$12.2 million for the year ended 31 December 2012 from approximately HK$42.4 million for the year ended 31 December 2011, representing a decrease of approximately 71.2% which was mainly due to (i) our Contract Processing Factory ceased our in-house production in April 2012 and therefore we were no longer required to purchase raw materials for our in-house production; (ii) the decrease in sale orders allocated to our third-party manufacturers that we supplied the raw materials to them for production, due to the increase in labour wages in southern China where most of the production plants of these third-party manufacturers located which in turn increase the cost of apparel products we procured for our customers; and (iii) the decrease in cotton price during 2012 from the unusual surge in price in 2011. After our Contract

Processing Factory ceased our in-house production, the raw materials cost represented our cost of raw materials which we supplied to our third-party manufacturers for their production.

Direct labour cost represented the staff cost incurred for our in-house production at the Contract Processing Factory. It decreased to approximately HK$3.7 million for the year ended 31 December 2012 from approximately HK$10.8 million for the year ended 31 December 2011, representing a decrease of approximately 65.5%. Such decrease was due to our in-house production at our Contract Processing Factory ceased in April 2012 and therefore no staff costs incurred after its closure.

Other costs remained relatively stable and represented approximately 2.0% and 2.4% of total cost of sales for each of the two years ended 31 December 2012, respectively.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by approximately HK$11.9 million, or 14.0%, from approximately HK$85.1 million for the year ended 31 December 2011 to approximately HK$73.2 million for the year ended 31 December 2012. Despite the decrease in gross profit, our gross profit margin increased from approximately 12.8% for the year ended 31 December 2011 to approximately 15.8% for the year ended 31 December 2012. Such increase was primarily due to (i) the unexpected increase in cotton price in 2011 which reduced our gross profit margin as we were unable to pass the increased cost to our customers as discussed above; and (ii) the increase in average selling price of our apparel products was higher than the increase in the per unit average cost of our apparel products, primarily as a result of the subsequent stabilisation of cotton price in 2012 combining with the effect of adjustment of the retail prices by our customers reflecting the increased cost we experienced in 2011.

Other income and gains

Our other income and gains increased to approximately HK$9.1 million for the year ended 31 December 2012, from approximately HK$5.5 million for the year ended 31 December 2011, representing an increase of approximately 66.0%, which was mainly due to (i) the unrealised fair value gains on equity investments at fair value through profit or loss of approximately HK$3.1 million; and (ii) the increase in the rework and compensation income received from raw material suppliers and third-party manufacturers for defective raw materials and defective products of approximately HK$0.7 million. It was partially offset by the decrease in exchange gain arising from the appreciation of the RMB against the USD of approximately HK$0.9 million which was mainly due to less asset base in currency of RMB was recorded after the closure of our Contract Processing Factory during the year ended 31 December 2012.

The amount of rework and compensation income increased from approximately HK$1.4 million for the year ended 31 December 2011 to approximately HK$2.1 million for the year ended 31 December 2012 was mainly due to the occurrence of cancellation charge of approximately HK$0.6 million on a job order cancelled by our customer with short notice in 2012.

Selling and distribution costs

Our selling and distribution costs decreased by approximately 27.0% from approximately HK$1.9 million for the year ended 31 December 2011 to approximately HK$1.4 million for the year ended 31 December 2012, which was generally in line with the decrease in revenue by approximately 30.5% for the year ended 31 December 2012. It remained stable that it represented approximately 0.3% and 0.3% of our Group's revenue for each of the two years ended 31 December 2012, respectively.

Our decrease in selling and distribution costs was mainly due to decrease in sample cost in 2012. Our sample cost represented approximately 40.4% and 30.4% of the total selling and distribution costs

for each of the two years ended 31 December 2012, respectively. Our sample cost consists of (i) the cost of raw materials for the production of sample for our customers' consideration; and (ii) the purchase of apparel products from retail stores by our product design and development department as sample products for their reference for product design. During the year ended 31 December 2011, our product design and development department purchased sample products of approximately HK$0.3 million primarily due to the strategy adopted by our Group in 2011 to strengthen our design and development capabilities. As we have improved our design and development capabilities in 2011, we reduced the purchase of sample products to approximately HK$22,000 for the year ended 31 December 2012. The cost of raw materials for the production of sample for our customers' consideration remained stable and amounted to approximately HK$0.4 million and HK$0.4 million for each of the two years ended 31 December 2012, respectively.

Travelling expenses represented approximately 23.9% and 23.6% of the total selling and distribution costs for each of the two years ended 31 December 2012, respectively. Travelling expenses decreased by approximately 28.1% from approximately HK$0.4 million for the year ended 31 December 2011 to approximately HK$0.3 million for the year ended 31 December 2012. The decrease was mainly due to our strict control on the travelling expenses in 2012.

EDI charges represented the charges we paid for the electronic data interchange system which is a system designated by some of our customers for us to receive their purchase orders, submit shipping documents and packing information. Our EDI charges were approximately HK$0.3 million and HK$0.2 million, represented approximately 14.3% and 12.3% of the total selling and distribution costs for each of the two years ended 31 December 2012, respectively. The decrease was generally in line with our decrease in sales to the customers with such system as the charges were based on the number of the purchase orders we made with them.

Entertainment expense represented our cost incurred from liaison and meeting with our customers and suppliers which accounted for approximately 12.5% and 18.6% of total selling and distribution costs for each of the two years ended 31 December 2012, respectively. It remained relatively stable for the year ended 31 December 2012 that it increased from approximately HK$0.2 million to approximately HK$0.3 million from the year ended 31 December 2011 to 2012.

Air freight charges were approximately HK$0.1 million and HK$0.2 million for each of the two years ended 31 December 2012, respectively, represented approximately 7.9% and 13.4% of the total selling and distribution costs for each of the two years ended 31 December 2012, respectively.

Administrative expenses

Our administrative expenses has decreased to approximately HK$47.6 million for the year ended 31 December 2012, from approximately HK$60.0 million for the year ended 31 December 2011, representing a decrease of approximately of 20.7%, which was mainly due to the closure of the Contract Processing Factory during the year ended 31 December 2012 which various operating costs have been saved.

Staff costs mainly consisted of salaries, wages, bonuses, other staff expenditure such as pension scheme contribution, welfare and other benefits, representing the major component of our administrative expenses which amounted to approximately 54.7% and 61.0% of our total administrative expenses for each of the two years ended 31 December 2012, respectively. Our staff costs decreased from approximately HK$32.8 million for the year ended 31 December 2011 to approximately HK$29.0 million for the year ended 31 December 2012, representing a decrease of approximately 11.5%. Such decrease was mainly due to the closure of the Contract Processing Factory which reduced the number of staff from 554 to 297 from the year ended 31 December 2011 to 2012. The cost of welfare and other benefits decreased by approximately 59.5% from approximately HK$3.7 million for the year ended 31 December 2011 to approximately HK$1.5 million for the year ended 31 December 2012. Further,

the bonus for the year ended 31 December 2012 was approximately HK$2.8 million, which represented a decrease of approximately 31.7% from approximately HK$4.1 million for the year ended 31 December 2011 resulting from the cost saving measures implemented by our Group in 2012.

Our office expenses and utilities decreased to approximately HK$5.7 million for the year ended 31 December 2012 from approximately HK$7.7 million for the year ended 31 December 2011, representing a decrease of approximately 26.8%, which was mainly due to the closure of the Contract Processing Factory during year ended 31 December 2012 which has reduced respective office supplies and utilities.

For each of the two years ended 31 December 2012, our rental expenses accounted for approximately 6.4% and 7.3% of our Group's administrative expenses, respectively. Our rental expenses decreased to approximately HK$3.5 million for the year ended 31 December 2012 from approximately HK$3.8 million for the year ended 31 December 2011, representing a decrease of approximately 9.7%. The decrease was mainly due to the closure of the Contract Processing Factory which reduced the rental expense by approximately HK$0.9 million for the year ended 31 December 2012.

Our bank charges decreased to approximately HK$2.7 million for the year ended 31 December 2012 from approximately HK$3.8 million for the year ended 31 December 2011, representing a decrease of approximately 30.6%, which was mainly due to our decrease in utilisation of letter of credit and bills by our customers and to our suppliers as less orders from the customers were made for the year ended 31 December 2012.

Consultancy fees for the year ended 31 December 2011 mainly included (i) the fee paid to our US consultant of approximately HK$0.4 million; (ii) the fee paid to our PRC consultant engaged previously for providing marketing services in the PRC since December 2011; and (iii) consultancy fees paid to our Directors and Action Win of approximately HK$3.1 million. Our consultancy fees decreased from approximately HK$3.5 million for the year ended 31 December 2011 to approximately HK$0.7 million for the year ended 31 December 2012, which was primarily due to the consultancy fees paid to our Directors and Action Win in 2011 were in one-off basis and no such fees were paid in 2012. Apart from such one-off arrangement, we have not entered into any consultancy agreement with our Directors or their associates during the Track Record Period and up to the Latest Practicable Date. During the year ended 31 December 2012, our consultancy fees mainly represented the fees paid to the US consultant and the PRC consultant.

Our Group recorded depreciation of approximately HK$2.5 million and HK$1.2 million for each of the two years ended 31 December 2012 respectively. The decrease was mainly attributable to the closure of the Contract Processing Factory during the year ended 31 December 2012 which incurred depreciation expenses of approximately HK$1.6 million for the year ended 31 December 2011 while it incurred approximately HK$40,000 for the year ended 31 December 2012.

Other administrative expenses, mainly including auditor's remuneration, travelling expenses, insurance expense, entertainment expenses, management fees, motor vehicle expense and sundry expenses, represented approximately 9.4% and 9.7% of total administrative expenses for the year ended 31 December 2011 and 2012, respectively.

Other expenses

Other expenses decreased to approximately HK$1.7 million for the year ended 31 December 2012 from approximately HK$6.7 million for the year ended 31 December 2011, representing a decrease of approximately 74.0%. The significant drop was mainly attributable to (i) the decrease in rework costs paid to customers for defective apparel products of approximately HK$1.9 million as there were one-off compensations paid to two of our customers for defective products in 2011 of

approximately HK$1.5 million and HK$0.4 million, respectively; (ii) the written off of machineries which became obsolete of approximately HK$1.8 million, a transaction of non-recurring nature, for the year ended 31 December 2011; and (iii) the unrealised fair value losses on the equity investments at fair value through profit or loss of approximately HK$1.3 million for the year ended 31 December 2011 due to their price depreciation while an unrealised fair value gains was recorded for the year ended 31 December 2012 due to the increase in market price of our equity investments in 2012.

Finance costs

Our finance costs mainly represented interest expenses on trust receipt loans for our purchases of raw materials and payment of subcontracting fees. The interest expenses on trust receipt loans were approximately HK$1.5 million and HK$0.5 million for each of the two years ended 31 December 2012, respectively. Such decrease was generally in line with our decrease in purchases of raw materials during the year ended 31 December 2012.

Income tax expense

Our income tax expense increased by approximately HK$1.9 million from approximately HK$0.7 million for the year ended 31 December 2011 to approximately HK$2.5 million for the year ended 31 December 2012, primarily as a result of (i) the unrealised fair value gains on equity investments through profit or loss, which was subject to income tax, was amounted to approximately HK$3.1 million for the year ended 31 December 2012 while it was recorded as unrealised fair value loss of HK$1.3 million, which was deductible for tax purpose, for the year ended 31 December 2011; and (ii) an increase in our profit before tax by approximately HK$10.6 million for the year ended 31 December 2012.

Profit attributable to owners of our Company and net profit margin

As a result of the foregoing, our Group's net profit increased by approximately HK$8.7 million, or by approximately 43.8%, from approximately HK$19.9 million for the year ended 31 December 2011 to approximately HK$28.6 million for the year ended 31 December 2012.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs and our capital expenditure requirements. Our working capital needs and capital expenditure requirements have been financed through a combination of funds generated from operations and short-term bank borrowings (comprised primarily trust receipt loans). Historically, we have met our capital expenditure, working capital and other liquidity requirements principally from cash generated from our operations and trust receipt loans. Going forward, we expect to fund our working capital, capital expenditures and other capital requirements with a combination of various sources, including but not limited to cash generated from our operations, short-term bank borrowings (comprised primarily trust receipt loans), and the net proceeds from the **[REDACTED]**.

The following table sets out a condensed summary of our combined statements of cash flow for the Track Record Period:

	Year ended 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Net cash generated from operating activities	105,866	36,904	35,617
Net cash generated from/(used in) investing activities	(4,598)	(17,636)	19,598
Net cash generated used in financing activities	(72,268)	(35,197)	(84,419)
Net increase/(decrease) in cash and cash equivalents	29,000	(15,929)	(29,204)
Cash and cash equivalents at beginning of year	58,370	87,393	71,474
Effect of foreign exchange rate changes, net	23	10	114
Cash and cash equivalents at end of year	87,393	71,474	42,384

Cash flows from operating activities

Our cash generated from operating activities is principally from the receipt of payments for the sale of apparel products we procured for our customers. Our cash used in operating activities is principally for payments of subcontracting fees to third-party manufacturers and purchases of raw materials from raw material suppliers, staff costs and rental expenses.

Our net cash generated from operating activities for the year ended 31 December 2013 was approximately HK$35.6 million while our profit before tax for the same period was approximately HK$27.0 million. The difference of approximately HK$8.6 million was primarily attributable to (i) increase in trade and bills receivables of approximately HK$7.5 million in 2013 due to (a) the overall growth of our sales in 2013; and (b) increase in sales orders recorded in the last quarter of 2013 as one of our top five customers increased its sales orders placed to us by approximately HK$9.6 million in the last quarter of 2013 as compared with the same period in 2012 due to its change in business strategy; (ii) a decrease in trade and bills payables of approximately HK$12.5 million primarily due to a decrease in purchase of raw materials and payment of subcontracting fees as a result of our drop in sales in December 2013 and January 2014. These amounts were partially offset by the decrease in prepayments, deposits and other receivables of approximately HK$13.0 million mainly due to the decrease in amount of raw materials costs which we paid on behalf of certain third-party manufacturers by approximately HK$11.0 million in 2013 as a result of the decrease in job orders received in the last quarter of 2013 as compared with the same period in 2012.

Our net cash generated from operating activities for the year ended 31 December 2012 was approximately HK$36.9 million while our profit before tax for the same period was approximately HK$31.1 million. The difference of approximately HK$5.8 million was primarily attributable to (i) the decrease in inventories of approximately HK$7.1 million as a result of our decrease in purchase of raw materials due to our Contract Processing Factory ceased our in-house production in April 2012; and (ii) the decrease in trade and bills receivables of approximately HK$18.5 million as a result of (a) our decrease in sales of approximately HK$203.2 million for the year ended 31 December 2012; and (b) the exceptionally lower level of sales recorded in the end of 2012 as compared with the same period in 2011 due to one of our top five customers decreased its sales by approximately HK$9.3 million in December 2012 as compared with December 2011. These amounts were partially offset by (i) the increase in prepayments, deposits and other receivables which mainly due to the increase in amount of raw materials which we paid on behalf of certain third-party manufacturers to cope with our increased sales in the first quarter of 2013; and (ii) the payment of approximately HK$5.0 million for those employees being laid off when the Contract Processing Factory ceased our in-house production of apparel products as discussed in "— Critical accounting policies and estimates — Provision" in this section.

For the year ended 31 December 2011, our net cash generated from operating activities was approximately HK$105.9 million while our profit before tax for the same period was approximately HK$20.6 million. The difference of approximately HK$85.3 million was primarily attributable to (i) a decrease in trade and bill receivables of approximately HK$22.5 million primarily due to a decrease in our sales in 2011 as compared with 2010; (ii) a decrease in prepayments, deposits and other receivables of approximately HK$78.1 million primarily due to the decrease in amounts of raw materials costs which we paid on behalf of certain third-party manufacturers of approximately HK$75.1 million mainly because of the decrease in sales of first quarter in 2012 as compared to sales of first quarter in 2011. These amounts were partially offset by the decrease in trade and bills payable of approximately HK$19.8 million primarily due to the decrease in payables to the third-party manufacturers and raw materials suppliers for the subcontracting fees and fabrics, respectively.

Cash flows from/(used in) investing activities

Our cash used in investing activities was primarily for purchases of listed securities of Hong Kong stock market for investment, purchases of property, plant and equipment and our loans to third-party manufacturers.

Net cash from investing activities was approximately HK$19.6 million in the year ended 31 December 2013. This was primarily due to our proceeds from disposal of equity investments at fair value through profit or loss of approximately HK$22.4 million and the loan repayments by certain third-party manufacturers of approximately HK$0.5 million, which was partially offset by our addition to leasehold improvement of approximately HK$3.3 million.

Net cash used in investing activities was approximately HK$17.6 million in the year ended 31 December 2012. This was primarily due to our purchase of equity investment of approximately HK$14.6 million, our purchase of computer equipment of approximately HK$1.4 million and our advances to certain third-party manufacturers of approximately HK$2.1 million, which was partially offset by the dividends we received from our listed equity investments of approximately HK$0.5 million and the residual received of approximately HK$99,000 arising from deregistration of our subsidiary in Shanghai, the PRC.

Net cash used in investing activities was approximately HK$4.6 million in the year ended 31 December 2011. This was mainly due to our purchase of listed equity investments of approximately HK$5.1 million and our purchase of office equipment of approximately HK$0.6 million, which was partially offset by the loan repayments by certain third-party manufacturers of approximately HK$1.1 million and dividends received from listed equity investments of approximately HK$30,000.

Cash flows used in financing activities

During the Track Record Period, we derived our cash generated from financing activities principally from the bank borrowings which represented trust receipt loans and capital injection from Controlling Shareholders; and our cash used in financing activities is principally for repayments of the trust receipt loans, repayments of advances from our Controlling Shareholders and payment of interests.

Net cash used in financing activities was approximately HK$84.4 million in the year ended 31 December 2013. This was mainly due to (i) our new trust receipt loans of approximately HK$286.8 million for our purchase of raw materials and payment of subcontracting fees and our repayment of trust receipt loans of HK$282.2 million; (ii) the movements in net balance with Controlling Shareholders of approximately HK$88.8 million; and (iii) the payment of interests of approximately HK$0.3 million.

Net cash used in financing activities was approximately HK$35.2 million in the year ended 31 December 2012. This was mainly due to (i) our new trust receipt loans of approximately HK$245.1

million for our purchase of raw materials and payment of subcontracting fees and our repayment of trust receipt loans of HK$260.8 million; (ii) the movements in net balance with Controlling Shareholders of approximately HK$19.0 million; and (iii) the payment of interests of approximately HK$0.5 million.

Net cash used in financing activities was approximately HK$72.3 million in the year ended 31 December 2011. This was mainly due to (i) our new trust receipt loans of approximately HK$348.1 million for our purchase of raw materials and payment of subcontracting fees and our repayment of trust receipt loans of HK$380.7 million; (ii) the movements in net balance with Controlling Shareholders of approximately HK$38.3 million; and (iii) the payment of interests of approximately HK$1.5 million.

NET CURRENT ASSETS

	As at 31 December			As at 30 April
	2011	2012	2013	2014*(Note)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
CURRENT ASSETS				
Inventories	9,755	2,640	227	—
Trade and bills receivables	77,826	59,279	66,788	79,321
Prepayments, deposits and other receivables	49,755	65,022	52,005	15,893
Equity investments at fair value through profit or loss	3,860	21,595	—	—
Due from related companies	9,841	10,156	—	—
Due from shareholders	25,918	19,006	—	—
Cash and cash equivalents	87,393	71,474	42,384	32,202
Tax recoverable	841	—	—	—
	265,189	249,172	161,404	127,416
CURRENT LIABILITIES				
Trade and bills payables	40,435	43,313	30,775	12,458
Other payables and accruals	11,124	9,413	13,342	4,115
Due to a related company	611	611	—	—
Due to shareholders	48,092	51,618	—	—
Due to directors	1,070	—	—	—
Interest-bearing bank borrowings	23,995	8,276	12,875	1,734
Provision	5,029	—	—	—
Tax payable	1,507	4,046	6,208	6,040
	131,863	117,277	63,200	24,347
NET CURRENT ASSETS	133,326	131,895	98,204	103,069

Note: The figures as at 30 April 2014 are unaudited.

As at 31 December 2011, 2012 and 2013, we recorded net current assets of approximately HK$133.3 million, HK$131.9 million and HK$98.2 million, respectively. Our current assets as at 31 December 2011, 2012 and 2013 mainly comprised (i) cash and cash equivalents of approximately HK$87.4 million, HK$71.5 million and HK$42.4 million, respectively; (ii) trade and bills receivables of approximately HK$77.8 million, HK$59.3 million and HK$66.8 million, respectively; and (iii) prepayments, deposits and other receivables of approximately HK$49.8 million, HK$65.0 million and HK$52.0 million, respectively. Our current liabilities as at 31 December 2011, 2012 and 2013 mainly comprised (i) amounts due to our Controlling Shareholders of approximately HK$48.1 million, HK$51.6 million and nil, respectively; and (ii) trade and bills payables of approximately HK$40.4 million, HK$43.3 million and HK$30.8 million, respectively. We expect to pay our trade and bills payables, other payables and accruals and provisions from our internal financial resources, including cash generated from operations and bank borrowings as and when they fall due.

Net current assets decreased to HK$98.2 million as at 31 December 2013 from HK$131.9 million as at 31 December 2012. The decrease was mainly due to (i) a decrease in prepayment, deposits and other receivables by approximately HK$13.0 million; (ii) the decrease in equity investments at fair value

through profit or loss from approximately HK$21.6 million to nil as a result of the disposal of equity investments during the year ended 31 December 2013; and (iii) the decrease in cash and cash equivalents of approximately of HK$29.1 million; which was partially offset by (i) a decrease in trade and bills payables by approximately HK$12.5 million; and (ii) the increase in trade and bills receivable by HK$7.5 million.

Our net current assets decreased to approximately HK$131.9 million as at 31 December 2012 from approximately HK$133.3 million as at 31 December 2011. The decrease was mainly due to (i) a decrease in inventories from approximately HK$9.8 million as at 31 December 2011 to approximately HK$2.6 million as at 31 December 2012, reflecting principally as a result of our Contract Processing Factory ceased our in-house production; (ii) a decrease in trade and bills receivables of approximately HK$18.5 million which was generally in line with the decrease in sales; (iii) an increase in the net amounts due to shareholders by approximately HK$10.4 million; and (iv) a decrease in cash and cash equivalent of approximately HK$15.9 million which was partially offset by (i) an increase in prepayments, deposits and other receivables by approximately HK$15.3 million; (ii) an increase in equity investments at fair value through profit or loss by approximately HK$17.7 million as a result of additional equity investment and their price appreciation; and (iii) a decrease in interest-bearing bank borrowings of approximately HK$15.7 million which was generally in line with our decrease in purchases of raw materials by trust receipt loans.

As at 30 April 2014, we had net current assets of approximately HK$103.1 million. The key components of our current assets as at such date included mainly trade and bills receivables, prepayments, deposits and other receivables, and cash and cash equivalents. The key components of our current liabilities as at such date included mainly trade and bills payables, other payables and accruals, interest-bearing bank borrowings and tax payable. Our net current assets increased to approximately HK$103.1 million as at 30 April 2014 from approximately HK$98.2 million as at 31 December 2013. This was primarily attributable to the combined effect of (i) increase in trade and bills receivables of approximately HK$12.5 million as a result of higher sales from one of our major customers, who had a credit term of 60 days, recorded in March and April 2014 as compared to that in November and December 2013; (ii) decrease in trade and bills payables of approximately HK$18.3 million due to our decrease in purchase of raw materials as a result of the decrease in orders received from our customers in April 2014 as compared to that in December 2013; (iii) decrease in other payables and accruals of approximately HK$9.2 million due to the distribution of annual bonus to our staff in February 2014 and payment of **[REDACTED]** of approximately HK$**[REDACTED]**; (iv) decrease in interest-bearing bank borrowings of approximately HK$11.1 million as a result of decrease in trust receipt loans for our purchase of raw materials and payment of subcontracting fees due to the decrease in sales in the first quarter of 2014 as compared to that in the last quarter of 2013; and these amounts were partially offset by (i) decrease in prepayments, deposits and other receivables of approximately HK$36.1 million, primarily as a result of a decrease in purchase of raw materials we made on behalf of third-party manufacturers due to the decrease in sales orders received in the first quarter of 2014 as discussed above; and (ii) decrease in cash and cash equivalents of approximately HK$10.2 million.

Inventories

Our inventories comprised raw materials, work in progress and finished goods. The following table sets out the balances of our inventories as at the end of each year of the Track Record Period:

	As at 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	554	596	—
Work in progress	8,774	2,044	227
Finished goods	427	—	—
	9,755	2,640	227

As at 31 December 2011, our inventories comprise (i) raw materials used in our in-house production, work in progress products and finished goods manufactured by us; and (ii) raw materials we purchased and supplied to third-party manufacturers for their production, work in progress products and finished goods manufactured by them.

After we ceased our in-house production of the Contract Processing Factory in April 2012, our inventories only comprise item (ii) as mentioned above as at 31 December 2012 and 31 December 2013.

Inventories are stated at the lower of cost and net realisable value. Cost mainly comprises direct materials, direct labour and an appropriate proportion of overheads. Net realised value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

The value of our inventories accounted for approximately 3.7%, 1.1% and 0.1% of our total current assets as at 31 December 2011, 2012 and 2013, respectively. As our Group provides apparel supply chain management services to our customers, our operation does not involve significant level of inventories during the Track Record Period.

Our work in progress decreased from approximately HK$8.8 million as at 31 December 2011 to approximately HK$2.0 million as at 31 December 2012, and further decreased to approximately HK$0.2 million as at 31 December 2013 primarily because (i) we ceased our in-house production at the Contract Processing Factory in April 2012 and no balance of inventories were incurred from the Contract Processing Factory as at 31 December 2012 and 31 December 2013; and (ii) we had less inventories as we decreased our sales orders allocated to the third-party manufacturers which we purchased and supplied raw materials for their production. Our sales of apparel products which were manufactured by the third-party manufacturers under such arrangement were approximately 9.4%, 6.5% and 1.3% of our total revenue for the three years ended 31 December 2013, respectively. Such decrease was mainly due to the increase in labour wages in southern China where most of the production plants of these third-party manufacturers located which in turn increase the cost of the apparel products we procured for our customers. Further, we increased our sales orders allocated to the third-party manufacturers in whole that they were responsible for procurement of raw materials during the Track Record Period so that we could gradually reduce our level of inventory and related risk.

In view of the subsequent usage or sale of our inventories as at 31 December 2011, 2012 and 2013, write-down of our inventories to net realisable value was unnecessary as at the end of each year of the Track Record Period. Besides, we did not have significant obsolete or damaged inventories during the Track Record Period.

The following table sets out our average inventory turnover days for the Track Record Period:

	Year ended 31 December		
	2011	2012	2013
Average inventory turnover days(*Note*)	36	53	73

Note: Average inventory turnover days are computed by dividing the average of the beginning and ending inventory balances for the Track Record Period by the sales of apparel products which were manufactured by the third-party manufacturers with which the raw materials were supplied by us for the corresponding year and then multiplied by 365 days.

The average inventory turnover days has increased from 36 days for the year ended 31 December 2011 to 53 for the year ended 31 December 2012 which was mainly because of the relatively larger inventory balance as at 31 December 2011, as there was a considerable amount of orders from customers that pending to be delivered as at the year end, which led to a large average inventory balance for the year ended 31 December 2012. The further increase in inventory turnover days to 73 days for the year ended 31 December 2013 was primarily due to the relatively larger inventory balance as at 31 December 2012 compared with that as at 31 December 2013 is exceptionally low. Further, the decrease in the sales of apparel products which were manufactured by the third-party manufacturers with the raw materials we supplied to them outweighed the decrease in average inventory during the Track Record Period which led to an increase in the average inventory turnover days.

The adequacy of our inventories is reviewed by our management on an annual basis. Physical inventory count on inventories would be conducted on annual basis. Our policy on obsolete or damaged inventories is to write off such inventories when our management considers those inventories have no residual value. In addition, specific provisions are made on the diminution in market value of the inventories below our cost.

Trade and bills receivables analysis

As at 31 December 2011, 2012 and 2013, our trade and bills receivables mainly represented receivables from customers of our apparel supply chain management services.

The following table sets out the ageing analysis of our trade and bills receivables based on the invoice dates as at the dates indicated.

	As at 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	50,981	43,833	45,979
1 to 2 months	23,003	12,102	14,846
2 to 3 months	3,841	3,310	5,836
Over 3 months	1	34	127
	77,826	59,279	66,788

Our trade and bills receivables decreased from approximately HK$77.8 million as at 31 December 2011 to approximately HK$59.3 million as at 31 December 2012, representing a decrease of approximately 23.8%, was primarily attributable to (i) the decrease in sales of approximately HK$203.2 million for the year ended 31 December 2012 as compared with 2011; and (ii) the exceptionally lower level of sales recorded in the end of 2012 as compared with the same period of 2011, as a result of the decrease in sales orders placed by one of our top five customers in

December 2012. Such customer decreased its sales orders to us by approximately HK$9.3 million in December 2012, representing a decrease of approximately 67.9%, as compared with the same period of 2011, due to the decrease in its average selling price in 2012.

Our trade and bills receivables as at 31 December 2013 were approximately HK$66.8 million, representing an increase of approximately 12.7% as compared with that as at 31 December 2012, primarily attributable to (i) the increase in our revenue of approximately HK$91.0 million in the year ended 31 December 2013 as compared with the same period in 2012; and (ii) increase in sales orders recorded in the last quarter of 2013 as one of our top five customers increased its sales orders placed to us by approximately HK$9.0 million in the last quarter of 2013 as compared with the same period in 2012 due to its change in business strategy in 2012 that less sales clearance were made and therefore it increased their demand on our apparel products.

The following table sets out the ageing analysis of our trade and bills receivables based on the due dates at the end of each year of the Track Record Period.

	As at 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	68,922	53,050	55,577
Less than 1 month past due	8,897	6,195	10,673
1 to 2 months past due	—	—	479
2 to 3 months past due	6	—	—
Over 3 months past due	1	34	59
	77,826	59,279	66,788

Our trade and bills receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default. No impairment loss is provided for the trade and bills receivable that are neither past due nor impaired because these receivables are within credit period granted to the respective customers and our Directors considered that the default rate is low for such receivables as there was no recent history of default. The receivables that were past due but not impaired relate to a number of independent customers who have good track record with our Group. Based on past experience, our Directors are of the opinion that no provision for impairment is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

We generally grant our customers a credit period of up to 75 days. The following table sets out our average trade and bills receivables turnover days for the Track Record Period:

	Year ended 31 December		
	2011	2012	2013
Average trade and bills receivables turnover days(*Note*)	49	54	41

Note: Average trade and bills receivables turnover days are computed by dividing the average of the beginning and ending trade and bills receivables balances for the Track Record Period by the revenue for the corresponding years and then multiplied by 365 days.

Our average trade and bills receivables turnover days for the three years ended 31 December 2013 fell within the average credit period we offered our customers. Our average trade and bills receivables turnover days increased from approximately 49 days in the financial year ended 31 December 2011 to approximately 54 days in the financial year ended 31 December 2012, which was primarily due to the decrease in revenue in 2012 of approximately 30.5% as compared with 2011 outweighed the decrease in average trade and bills receivables for the year 2012 of approximately

23.0% as a result of a decrease in our trade and bills receivables as at 31 December 2012 as described above. Our average trade and bills receivables turnover days decreased from approximately 54 days for the year ended 31 December 2012 to 41 days for the year ended 31 December 2013, which was primarily due to combined effect of (i) a slight decrease in average trade and bills receivables for the year 2013; and (ii) tightening of our credit control of trade and bills receivables which we believe was achieved by more progressive liaison and follow up by our staff, so that collections of the amount of trade and bills receivables due from our customers were improved.

As at the Latest Practicable Date, all our trade and bills receivables as at 31 December 2011, 2012 and 2013 were subsequently settled.

Trade and bills payables analysis

The following table sets out our Group's trade and bills payables based on the invoice dates as at the end of each year of the Track Record Period:

	As at 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	29,146	31,499	24,647
1 to 2 months	6,044	6,831	4,881
2 to 3 months	1,095	985	335
Over 3 months	4,150	3,998	912
	40,435	43,313	30,775

Our trade and bills payables mainly represented payables to the third-party manufacturers and suppliers of raw materials. As at 31 December 2011, 2012 and 2013, our trade and bills payables amounted to approximately HK$40.4 million, HK$43.3 million and HK$30.8 million, respectively. Our trade and bills payables increased from approximately HK$40.4 million as at 31 December 2011 to approximately HK$43.3 million as at 31 December 2012, representing an increase of approximately 7.1%. The increase in trade and bills payables was primarily due to the net effect of (i) the increase in our payables to fabric suppliers in December 2012 by approximately HK$4.7 million as compared with the same period in 2011 to cope with our increased sales in the first quarter of 2013; and (ii) the decrease in our subcontracting fees payables in December 2012 by approximately HK$1.8 million as compared with the same period in 2011 as a result of the decreased sales in December 2012. Our trade and bills payables decreased from approximately HK$43.3 million as at 31 December 2012 to approximately HK$30.8 million as at 31 December 2013, representing a decrease of approximately 28.9%. The decrease in trade and bills payables was primarily due to the net effect of (i) the decrease in our payables to fabric suppliers in December 2013 by approximately HK$13.8 million as compared with the same period in 2013 as a result of our decrease in sales in January 2014 due to change of business strategies of two major customers as mentioned in the section headed "Summary and Highlights — Recent developments subsequent to the Track Record Period" in this document; and (ii) the increase in our subcontracting fees payables in December 2013 by approximately HK$1.2 million as compared with the same period in 2012 as a result of the increased sales in December 2013.

During the Track Record Period, we normally enjoyed a credit terms of 30 days. The following table sets out our average trade and bills payables turnover days for the Track Record Period:

	Year ended 31 December		
	2011	2012	2013
Average trade and bills payables turnover days(*Note*)	32	39	29

Note: Average trade and bills payables turnover days are computed by dividing the average of the beginning and ending trade and bills payables balances for the Track Record Period by the cost of sales for the corresponding years and then multiplied by 365 days.

Our average trade and bills payables turnover days for each of the three years ended 31 December 2013 were approximately 32 days and 39 days and 29 days, respectively, of which those for the years ended 31 December 2011 and 2013 were in line with the general credit terms of 30 days offered by our suppliers. The turnover days for the year ended 31 December 2012 was slightly higher than the general credit terms offered by our suppliers which was due to the decrease in cost of sales in the year ended 31 December 2012 of approximately 32.9% outweighed the decrease in average trade and bills payables for the year ended 31 December 2012 of approximately 16.8%. As at the Latest Practicable Date, approximately 99.3%, 99.2% and 98.8% of our trade and bills payables as at 31 December 2011, 2012 and 2013 were subsequently settled, respectively.

Prepayments, deposits and other receivables

The following table sets out the balances of our prepayments, deposits and other receivables as at the end of each year of the Track Record Period.

	As at 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Prepayments	152	186	558
Deferred expenses	660	2,041	3,475
Deposits	521	837	338
Loans to third-party manufacturers	59	2,185	1,664
Advances to third-party manufacturers	5,389	3,564	705
Other receivables	43,122	57,406	46,040
	49,903	66,219	52,780
Less: Impairment of other receivables	(148)	(148)	—
	49,755	66,071	52,780
Less: Loan to sub-contractor	—	775	775
Other receivables	—	274	—
Non-current portion	—	1,049	775
Current portion	49,755	65,022	52,005

Our prepayments mainly comprised maintenance fees and subscription fee for the website which provides information on the latest fashion trends.

Our deposits mainly represented rental deposits for our office premises.

Our loans to third-party manufacturers of approximately HK$59,000, HK$2.2 million and HK$1.7 million represented our loans to certain third-party manufacturers as at 31 December 2011, 2012 and 2013, respectively. We believed that the loans provided to third-party manufacturers would enable them to purchase better equipment, upgrade their production facilities, increase their production capacity, improve their operational efficiency and enhance their credentials to meet social compliance standards to benefit our apparel supply chain management service. Our loans to the third-parties manufacturers are unsecured, interest-free and repayable within one year except for, (a) an amount of US$0.1 million (equivalent to approximately HK$0.78 million), which is repayable on 30 June 2017; and (b) an amount of US$60,000 (equivalent to approximately HK$0.47 million), which is subject to guarantees given by parties independent to our Group. All outstanding balance was fully repaid by April 2014.

Our other receivables mainly represented amounts of raw material costs which we paid on behalf of certain third-party manufacturers under one of our arrangements with third-party manufacturers as discussed in "Business — Apparel supply chain management services — Sourcing of raw materials". During the Track Record Period, the aggregate amounts of raw materials which we purchased on behalf of third-party manufacturers were approximately HK$180.4 million, HK$173.9 million and HK$143.3 million for the three years ended 31 December 2013, respectively. Our other receivables from third-party manufacturers are interest-free. As at the Latest Practicable Date, the outstanding balances as at 31 December 2011 and 2012 were subsequently settled in full and approximately 94.2% of the outstanding balance as at 31 December 2013 was subsequently settled.

Our advances to third-party manufacturers represented our partial or full prepayment for the subcontracting fees as required by certain third-party manufacturers. Our advances to third-party manufacturers are interest-free. Our Group made such advance payment to the third-party manufacturers due to their shortage of cash for operation. In view of their business relationships and good track record with us, we were willing to make partial or full payment for the subcontracting fees in advance. There was a decrease in number of third-party manufacturers that required our Group to make partial or full prepayment for the subcontracting fees leading to the decrease in our advances to third-party manufacturers from approximately HK$5.4 million as at 31 December 2011 to approximately HK$3.6 million as at 31 December 2012 and further decreased to HK$0.7 million as at 31 December 2013. As at the Latest Practicable Date, such balance had been fully settled.

Our current portion of prepayments, deposits and other receivables increased from approximately HK$49.8 million as of 31 December 2011 to approximately HK$65.0 million as of 31 December 2012. The increase was primarily attributable to (i) an increase in amounts due from third-party manufacturers by approximately HK$19.5 million, which represented the amount of raw materials costs which we paid on behalf of certain third-party manufacturers from approximately HK$36.6 million to HK$56.1 million, as a result of increase in sales orders allocated to these third-party manufacturers to cope with our increased sales in the first quarter of 2013; (ii) an increase in loans to third-party manufacturers by approximately HK$1.4 million as of 31 December 2012; and (iii) an increase in deferred expenses by approximately HK$1.4 million as of 31 December 2012 due to the increase in other costs such as transportation costs and inspection charges, partially offsetting decrease in other receivables mainly comprised (i) a decrease in advance to third-party manufacturers by approximately HK$1.8 million; and (ii) a decrease of approximately HK$5.6 million which represented the funds in transit that we transferred to Shenzhen Industrial Development for the operation of Contract Processing Factory and recorded as other receivables as at 31 December 2011, which had been utilised for operation during 2012.

Our current portion of prepayments, deposits and other receivables decreased from approximately HK$65.0 million as at 31 December 2012 to approximately HK$52.0 million as at 31 December 2013. The decrease was primarily attributable to (i) a decrease in amounts due from third-party manufacturers, which represented the amount of raw materials costs which we paid on behalf of certain third-party manufacturers, from approximately HK$56.1 million to HK$45.1 million,

mainly as a result of the decrease in job orders received in the last quarter of 2013 as compared with the same period in 2012; (ii) a decrease in loans to third-party manufacturers by approximately HK$0.5 million as two of the third-party manufacturers settled most of their loans during 2013; and (iii) a decrease in advance to third-party manufacturers of approximately HK$2.9 million, partially offsetting an increase in deferred expenses by approximately HK$1.4 million which mainly as a result of the increase in deferred **[REDACTED]**.

The year ended balances of other receivables appeared significantly more than our total trade payables during the Track Record Period due to:

The timing difference of the settlements of other receivables and trade payables

When we purchased raw materials from the suppliers on behalf of the third-party manufacturers, the relevant amounts will be debited to the other receivables and credited to the trade payables in the accounts. According to the credit periods offered by the raw material suppliers, we generally settled the purchased amount of raw materials with the suppliers within 30 days. The balance of other receivables will be settled when the third party manufacturers charge us the subcontracting fees after the production process of garment products are completed by them. The production lead time is usually approximately two to three months after the third-party manufacturers have received all the materials. As the timing for settlement of other receivables is later than the settlement of trade payables, the balances of other receivables therefore were higher than the trade payables during the Track Record Period.

Generally higher sales were recognised in the first quarter of each year during the Track Record Period

The year ended balance of other receivables represented that the third-party manufacturers were yet to charge us the subcontracting fees as the garment products were still in the process of manufacturing which would be sold in early next year. As our sales in the first quarter of each year during the Track Record Period were generally higher, the year end balances of the other receivables were higher to cater the increased sales in the first quarter of the subsequent year. Therefore, the year end balances of other receivables appeared significantly higher during the Track Record Period.

Equity investments at fair value through profit or loss

As at 31 December 2011 and 2012, we had equity investments of approximately HK$3.9 million and HK$21.6 million, respectively, which represented our investments in securities in the Hong Kong stock market and were classified as held for trading and measured at fair values based on the quoted market prices. The appreciation of the market prices of such equity investments contributed the increase in our equity investments at fair value through profit or loss as at 31 December 2012, as compared with that as at 31 December 2011. We disposed of all the abovementioned listed equity investments in January 2013 and terminated the related investment account at Mars Securities in December 2013. As at 31 December 2013, we recorded nil balance of equity investments at fair value through profit or loss.

Amounts due from/to related companies, shareholders and directors

Amounts due from related companies as at 31 December 2011 and 2012 were mainly (i) cash advances given by our subsidiaries to Herotime HK and Herotime Shenzhen, which are indirectly owned by Mr. Liu YY as to 51% and Mr. Cheng as to 49%, for their daily operations; and (ii) the amount due from Herotime Shenzhen which represented our sales amount of apparel products to Herotime Shenzhen. Please refer to note 35 to the Accountants' Report in Appendix I to this document for details of the related party transaction regarding our sales of apparel products to Herotime Shenzhen. The balances with the related companies were unsecured, interest-free and have

no fixed terms of repayments, except for an amount due from Herotime Shenzhen of HK$2.0 million as at 31 December 2011 and 2012 which bore interest at a rate of 6% per annum and was repayable within one year from 31 December 2011 and 2012, respectively. Balances with related companies were set off against the current accounts with our Controlling Shareholders pursuant to the Net-off Agreement.

The net amounts due to the shareholders as at 31 December 2012 mainly represented dividends declared but not yet paid to our Controlling Shareholders. The net amounts due to the shareholders as at 31 December 2013 was offset by the dividend declared of approximately HK$70.5 million by our Group in 2013. Such balances were not trade in nature and were unsecured, interest-free and without fixed terms of repayment. Balances with our Controlling Shareholders were fully settled on 31 December 2013.

The amounts due to directors as at 31 December 2011 represented the consultancy fee payables to but yet paid to Mr. Yu, Mr. Liu CT and Mr. Kao as at 31 December 2011, which has been settled during the year ended 31 December 2012. No such consultancy fee was paid in the two years ended 31 December 2013.

As at the Latest Practicable Date, our Group did not have amounts due to/from the directors, the shareholders and related companies.

Other payables and accruals

As at 31 December 2011 and 2012, our current portion of other payables and accruals amounted to approximately HK$11.1 million and HK$9.4 million, respectively, which mainly comprised accrued salaries, bonuses and professional fees. As at 31 December 2013, our other payables and accruals increased to approximately HK$13.3 million, which mainly due to our **[REDACTED]** payable amounted to approximately HK$**[REDACTED]**.

Provision

Our provision represented provision for restructuring for our operation in the PRC. The provision mainly comprised severance payments for those employees being laid off when our former subsidiary in Shanghai, the PRC ceased its liaison function and the Contract Processing Factory ceased our in-house production of apparel products. Our Group approved and commenced to implement our restructure plan in 2010 in which we decided to cease in-house production of apparel products and to direct our resources to provision of apparel supply chain management services. Accordingly, a provision for restructuring was also recorded as approximately HK$5.3 million in 2010 which was based on our management's best estimate of probable future payments in connection with our restructuring plan. Such provision amounted to approximately HK$5.0 million as at 31 December 2011. The aforesaid restructuring was completed following the cessation of our liaison function of our former subsidiary in Shanghai and our in-house production at the Contract Processing Factory in March 2011 and April 2012, respectively. The provision was also fully utilised in 2012.

TAXATION

Our Group's tax position in Hong Kong

Hanbo Enterprises HK provided supply chain support services to Hanbo Enterprises Macao during the Track Record Period. The activities performed by Hanbo Enterprises HK include logistics support, enterprise resources planning and IT support, order follow up and coordination, production coordination, quality assurance, research and development, and sourcing of fabrics. The relevant service fee income received by Hanbo Enterprises HK has been reported for Hong Kong profits tax.

Our Directors, having made reasonable enquiries, consider that the cost-plus methodology to determine the service fee is supported by appropriate transfer pricing analysis.

Our Directors confirm that the income derived by our Hong Kong subsidiaries has been reported to the Hong Kong Inland Revenue Department.

Our Directors, having made reasonable efforts, consider that relevant Hong Kong profits tax filings in relation to the corporate tax returns for years 2011 and 2012 in respect of Hanbo Enterprises HK, Goodeed and Superbo Trading have been submitted in a timely manner. The Hong Kong profits tax return for the Hong Kong companies for 2013 are not yet due for submission to the Hong Kong Inland Revenue Department and are expected to be submitted before mid-August 2014.

Our Group's tax position in the PRC

Yibao Clothing provided supply chain support services to Hanbo Enterprises Macao during the Track Record Period. The activities performed by Yibao Clothing include logistics support, enterprise resources planning and IT support, order follow up and coordination, production coordination, quality assurance, research and development, and sourcing of fabrics. Our Directors confirm that Yibao Clothing is remunerated on a cost-plus basis for the services provided. The service fee received has been reported for relevant PRC taxes (including income tax and turnover taxes).

Based on the current PRC transfer pricing regulations, companies who are engaged in the provision of services, similar to that which Yibao Clothing is providing to Hanbo Enterprises Macao, would adopt the Transactional Net Margin Method ("**TNMM**") as the transfer pricing methodology and the mark-up on total costs ("**MTC**") as the profit level indicator. The TNMM and MTC are generally appropriate for the provision of services which are not core to value/profit creation and are performed on a low-risk basis under the guidance and instructions of the principal. The key economic substance requirements to effect a "principal" role are tied to the presence of management/key senior operating personnel and the capacity to make key decisions. Given that the supply chain support services provided by Yibao Clothing to Hanbo Enterprises Macao are routine and auxiliary in nature, Hanbo Enterprises Macao exhibits characteristics of a principal with Yibao Clothing being the routine service provider and therefore Yibao Clothing has adopted the cost-plus methodology. Our Directors, having made reasonable enquiries, consider that the cost-plus methodology to determine the service fee is supported by appropriate transfer pricing analysis.

Tax clearance certificates for Yibao Clothing have been obtained from the State Tax Bureau and Local Tax Bureau of the PRC, as a measure to ensure Yibao Clothing is in compliance with the relevant tax laws and regulations in the PRC.

Our Group's tax position in Macao

Our Group had a relatively low effective tax rate during the Track Record Period as the majority of our revenue was generated by Hanbo Enterprises Macao, which enjoyed tax exemption in Macao. Our Directors, having made reasonable enquiries, consider that the relatively low effective tax rate is reasonable.

Hanbo Enterprises Macao has established a liaison office, namely Hanbo Enterprises Bangladesh, with the permission of BOI in Bangladesh to collate information about potential manufacturers in Bangladesh and to monitor and coordinate the production progress of the manufacturing factories in Bangladesh. In addition, Hanbo Enterprises Macao has engaged our Hong Kong, PRC and Cambodia subsidiaries to provide supply chain support services. For details, see "Business — Apparel supply chain management services — The main logistical flow of raw materials and finished goods".

Since Hanbo Enterprises Macao is an approved Macao offshore institution, no annual Macao Complementary Tax Return has to be submitted to the Macao Finance Services Bureau. Pursuant to Article 66 of Decree-Law no. 58/99/M, Macao offshore institutions should send their annual audit report for each business year to the IPIM. Our Directors confirm that the audit reports for years 2011 and 2012 have been submitted to the IPIM and the audit report for Hanbo Enterprises Macao for 2013 is not yet due for submission to the IPIM as at the Latest Practicable Date and it is expected to be submitted in June 2014.

Our Group's tax position in Cambodia

Under the service agreement between Hanbo GSC and Hanbo Enterprises Macao, Hanbo GSC was responsible for logistics, warehousing, production coordination, quality assurance services for Hanbo Enterprises Macao. Corporate income tax and value added tax in the total amount of HK$146,267 were provided during the Track Record Period, the provision of which, our Directors consider is adequate.

Our Directors confirm that the tax returns for tax on profit and the monthly VAT returns for Hanbo GSC have been filed on a timely basis.

Our Group's tax position in Bangladesh

Hanbo Enterprises Bangladesh was established, as a liaison office, to facilitate the liaising with apparel manufacturers or exporters located in Bangladesh, the coordinating and monitoring of the production of apparel products and the inspection of apparel products before shipment in Bangladesh. Hanbo Enterprises Bangladesh acts as a communication channel between the head office and apparel manufacturers and exporters located in Bangladesh. Hanbo Enterprises Bangladesh coordinates and monitors production of apparel products and performs inspections of apparel products before shipment.

Our Directors confirm that, since Hanbo Enterprises Bangladesh is not engaged in any sales activities nor does it generate any income in terms of bank interest, profits, commissions, no income accrued to Hanbo Enterprises Bangladesh during the Track Record Period and consequently, Hanbo Enterprises Bangladesh does not have any tax liability in Bangladesh. Accordingly, returns showing "Nil" tax liability have been filed by Hanbo Enterprises Bangladesh in the absence of any income or profits from its business in Bangladesh.

Our Directors confirm that the quarterly return of income and expenditures for Hanbo Enterprises Bangladesh has been filed with the relevant authorities on a timely basis and the annual return of income showing the tax liability as "Nil" for Hanbo Enterprises Bangladesh has been filed for the assessment year 2013-14 on a timely basis.

Our Directors, having consulted with our Group's tax advisers, confirm that our Group does not have any material outstanding tax liabilities (other than the tax payable) in Macao, Hong Kong, the PRC, Cambodia and Bangladesh where our Group has operations. In addition, our Directors confirm that there was no investigation from any tax authorities in the respective locations during the Track Record Period and up to the Latest Practicable Date.

Our Group's tax position in the US

As advised by our US legal advisers, under our business model and the applicable US laws and regulations, we were not subject to the following US taxes during the Track Record Period and up to the Latest Practicable Date for the reasons described below:

(a) we were not subject to US federal income tax due to the following reasons:

  (i) we did not perform any services in connection with our customer contracts within the US;

  (ii) the apparel products that were procured by us for our customers were provided to the US customers on Free On Board (FOB) terms at the shipping point which was outside of the US; and

  (iii) our income received from the US customers was not attributable to an office in the US (see detailed explanation below);

(b) we were not subject to state sales tax as all apparel products procured by us were provided to the US customers for resale to retail consumers; and

(c) we were not subject to state net income tax as our activities in the US are limited to no more than promotional and advertising activities for solicitation of contracts (including giving information to existing customers and investigating possible business opportunities with potential new customers) and the US customer contracts were accepted by us outside of the US.

As advised by our US legal advisers, the business premises of the US consultant will not be regarded as our US office as the US consultant does not have the authority to negotiate and conclude contracts in the name of our Group, and the US consultant does not possess a stock of merchandise belonging to us that is regularly used to satisfy customer orders. We confirm that the business premises of the US consultant is not leased, owned or used, by us. We also confirm that we have not established any office or similar business presence in the US, and we have no present intention to do so in the near future.

As advised by our US legal advisers, going forward, under our current business model and assuming that there is no change to the current applicable US laws and regulations, we will not be a US tax payer and will not be subject to the above US taxes for the reasons stated above.

CAPITAL EXPENDITURES AND CONTRACTUAL OBLIGATIONS

Historical Capital Expenditures

During the Track Record Period, our capital expenditures were primarily comprised purchase of property, plant and equipment of approximately HK$0.6 million, HK$1.4 million and HK$3.3 million for the years ended 31 December 2011, 2012 and 2013. We primarily funded our capital expenditures through internal resources.

Planned Capital Expenditures

Our planned capital expenditures for the year ending 31 December 2014 is approximately HK$1.0 million which is expected to be financed by our cash inflows from operating activities, which represented the acquisition of computers and software pursuant to the acquisition contract signed with the vendor. Save for the aforesaid planned capital expenditures, we plan to fund our future capital

expenditures with sources including but not limited to, cash inflows from operating activities and net proceeds from the **[REDACTED]**. For more details regarding amounts of funds allocated from the net proceeds of the **[REDACTED]** for the planned capital expenditures, see "Future Plans and Use of Proceeds".

Save for the above planned expenditures, our Directors confirm that up to the Latest Practicable Date, there had been no material change in capital commitments of our Group since 31 December 2013.

Our actual capital expenditures may differ from the amounts set out above due to various factors, including our future cash flows, results of operations and financial condition, changes in the world economy, changes in the regulatory environment and other factors.

Operating Lease Commitment

During the Track Record Period, we leased certain of our office premises and staff quarter under operating lease arrangements. The leases are negotiated for terms ranging from one to ten years. The table below sets for our future minimum lease payments payable under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	1,523	635	1,146
In the second to fifth years, inclusive	—	2	2,743
	1,523	637	3,889

The decrease of the operating lease commitments as at 31 December 2011 to 31 December 2012 was mainly due to the closure of the Contract Processing Factory which our Group released three floors tenancy upon such closure.

Capital Commitments

During the Track Record Period, we had the capital commitments as follows:

	31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Contracted, but not provided for:			
Capital contributions payable to a subsidiary *(Note)*	—	7,739	741
Plant and machinery	—	—	960
	—	7,739	1,701

Note: It represented our capital commitment in relation to the capital contribution payable to Hanbo GSC.

Off-balance sheet commitments and arrangements

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

INDEBTEDNESS

Bank borrowings

Our bank borrowings as at 31 December 2011, 2012 and 2013 and 30 April 2014, for the purpose of calculating our indebtedness, were as follows:

	As at 31 December			As at 30 April
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings				
Trust receipt loans — secured and repayable within one year	23,995	8,276	12,875	1,734

As at 31 December 2011, 2012 and 2013, all our bank borrowings represented trust receipt loans which were denominated in USD and were repayable within one year subject to a repayable on demand clause in the facility letters. These bank loans were interest-bearing at rates ranging from 3.16% to 5.25% per annum during the Track Record Period and secured by personal guarantees given by our Controlling Shareholders, corporate guarantees given by our Group's subsidiaries and our property located in Hong Kong. The personal guarantee by our Controlling Shareholder for certain banking facilities granted to our Group is expected to be released upon **[REDACTED]**. We plan to repay our short-term bank borrowings with cash generated from our operations as and when they fall due. Upon the **[REDACTED]**, the guarantees provided by our Group and personal guarantees provided by our Controlling Shareholders will be released and replaced by corporate guarantees provided by our Company. It is not expected to have any material change in terms of the bank borrowing upon release of the aforesaid guarantees and changes.

As at 31 December 2011, 2012 and 2013, we had total banking facilities of approximately HK$187.7 million, HK$187.7 million and HK$187.7 million respectively, within which amounts of approximately HK$24.0 million, HK$8.3 million and HK$12.9 million, respectively were utilised and the remaining banking facilities of approximately HK$163.7 million, HK$179.4 million and HK$174.8 million were not utilised respectively.

Our Directors confirmed that there was neither material delay or default in payment of our trade and bills payables and bank borrowings, nor did we breach any relevant finance covenants, during the Track Record Period.

As at 30 April 2014, being the latest practicable date for the purpose of ascertaining the information contained in this indebtedness statement prior to the printing of this document, we had undrawn banking facilities of approximately HK$186 million, which have no definite expiry date and do not contain any material financial covenants. Based on the business and financial performance of our Group, we are not aware of any circumstances in which our ability to obtain external financing in the future may be affected by the recent global financial market volatility and credit tightening, and we expect our banking facilities to be renewed after **[REDACTED]**.

Save for the abovementioned, our Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts, other borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees, banking facility or other material contingent liabilities as at 30 April 2014.

Our Directors confirm that, up to the Latest Practicable Date, there have been no material change in indebtedness, capital commitment and contingent liabilities of our Group since 30 April 2014, being latest practicable date for ascertaining our Group's indebtedness prior to the printing of this document. Our Directors further confirm that as at the Latest Practicable Date, our Group did not have any plans to raise any material debt financing shortly after **[REDACTED]**.

WORKING CAPITAL

During the Track Record Period, we met our capital requirement principally with cash generated from our operations and short-term bank borrowings. After taking into account the cash flows from the operating activities and the existing financial resources available to our Group as follows:

- the net cash generated from operating activities of approximately HK$105.9 million, HK$36.9 million and HK$35.6 million for each of the three years ended 31 December 2013, respectively;

- the cash and cash equivalents on hand of approximately HK$87.4 million, HK$71.5 million and HK$42.4 million as at 31 December 2011, 2012 and 2013, respectively, and approximately HK$32.2 million as at 30 April 2014 based on our Group's unaudited management accounts;

- the undrawn banking facilities of approximately HK$186 million as at 30 April 2014, being the latest practicable date for the purpose of ascertaining the information contained in the indebtedness statement prior to the printing of this document; and

- the estimated net proceeds of approximately HK$**[REDACTED]** to be received by our Group from the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the proposed **[REDACTED]** range of HK$**[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]**),

Taking into account the net proceeds available to us from the **[REDACTED]** and our operating cash flow, our Directors are of the opinion, and the Sponsor concurs, that our Group has sufficient working capital for the present requirements for at least the next twelve months from the date of this document.

MAJOR FINANCIAL RATIOS ANALYSIS

The tables below set out certain major financial ratios of our Group as at the dates indicated:

	As at 31 December		
	2011	2012	2013
Current ratio *(Note 1)*	2.0	2.1	2.6
Quick ratio *(Note 2)*	1.9	2.1	2.6
Gearing ratio *(Note 3)*	0	0	0

	For the year ended 31 December		
	2011	2012	2013
Net profit margin *(Note 4)*	3.0%	6.2%	4.5%
Return on total assets *(Note 5)*	7.4%	11.2%	14.7%
Return on equity *(Note 6)*	14.5%	21.0%	23.7%

Notes:

(1) Current ratio is calculated by dividing total current assets by total current liabilities.

(2) Quick ratio is calculated by dividing total current assets net of inventories by total current liabilities.

(3) Gearing ratio is calculated by dividing the total debts by total equity attributable to owners of our Company and multiplied by 100%. Total debts are defined to include all borrowings and payables incurred not in the ordinary course of business.

(4) Net profit margin is calculated by dividing the net profit attributable to owners of our Company by revenue for the corresponding year and multiplied by 100%.

(5) Return on total assets equals to net profit attributable to owners of our Company for the corresponding year divided by the total assets and multiplied by 100%.

(6) Return on equity equals to net profit attributable to owners of our Company for the corresponding year divided by the total equity and multiplied by 100%.

Current ratio

Our Group recorded current ratio of approximately 2.0, 2.1 and 2.6 as at 31 December 2011, 2012 and 2013, respectively. The reason of the relatively high current ratio of our Company was mainly due to our strong position of cash and cash equivalents and the relatively high level of trade and bills receivables. The slight increase in current ratio from 31 December 2011 to 31 December 2012 was mainly due to the decrease in trust receipt loan of approximately HK$15.7 million which was generally in line with the decrease in sales, whereas the increase in current ratio from 31 December 2012 to 31 December 2013 was primarily due to the increase in trade and bills receivables of approximately HK$7.5 million and the decrease in trade and bills payables of approximately HK$12.5 million, which was partially offset by the decrease in cash and cash equivalents of approximately HK$29.1 million and the increase in trust receipt loan of approximately HK$4.6 million.

Quick ratio

The quick ratio of our Group was approximately 1.9, 2.1 and 2.6 as at 31 December 2011, 2012 and 2013 respectively, which was very similar to the current ratio of our Group given that our Group did not have material inventory balance as at 31 December 2011, 2012 and 2013.

Gearing ratio

Our Group did not have debt incurred not in the ordinary course of business. The bank borrowings of our Group as at 31 December 2011, 2012 and 2013 were incurred for trade finance purposes. Thus, gearing ratio was nil to our Group.

Net profit margin

The net profit margin increased from approximately 3.0% for 2011 to approximately 6.2% for 2012. Such increase was mainly due to the decrease in administrative expenses due to the closure of Contract Processing Factory and the increase in net profit attributable to our Group in 2012. Our net profit margin has decreased from approximately 6.2% for 2012 to approximately 4.5% for 2013. Such decrease was mainly due to the **[REDACTED]** of approximately HK$**[REDACTED]** charged to our combined statement of profit or loss during the year ended 31 December 2013.

Return on total assets

The return on total assets increased from approximately 7.4% for 2011 to approximately 11.2% for 2012. Such increase was mainly due to the increase in net profit attributable to the tightening in cost control in 2012. The growth rate in net profit of approximately 43.8% prevailed over the decrease in total assets of approximately 5.7% from 31 December 2011 to 31 December 2012 and thus resulting in the increase in the return on total assets from the year ended 31 December 2011 as compared to that for the year ended 31 December 2012. The return on total assets further increased from approximately 11.2% for 2012 to approximately 14.7% for 2013. Such increase was mainly due to the decrease in total assets of approximately 33.8% prevailed over the decrease in net profit of approximately 13.2% from 31 December 2012 to 31 December 2013 and thus resulting in the increase in the return on total assets from the year ended 31 December 2012 to the year ended 31 December 2013.

Return on equity

The return on equity increased from approximately 14.5% for 2011 to approximately 21.0% for 2012. Such increase was mainly due to the increase in net profit attributable to the tightening in cost control in 2012. The growth rate in net profit of approximately 43.8% prevailed over the decrease in total equity of approximately 0.7% from 31 December 2011 to 31 December 2012 and thus resulting in the increase in the return on equity from the year ended 31 December 2011 as compared to that for the year ended 31 December 2012. The return on equity further increased from approximately 21.0% for 2012 to approximately 23.7% for 2013. The decrease in total equity of approximately 23.0% prevailed over the decrease in net profit of approximately 13.2% from 31 December 2012 to 31 December 2013 and thus resulting in the increase in the return on equity from the year ended 31 December 2012 to the year ended 31 December 2013.

SENSITIVITY ANALYSIS

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in per unit average cost of sales on our net profit for the years during the Track Record Period, as represented by changes in subcontracting fees assuming all other factors affecting our profit remain unchanged. Fluctuations are assumed to be 1.0%, 2.0% and 3.0% during the Track Record Period, which correspond to the range of historical fluctuations of our per unit average cost of sales during the Track Record Period.

	For the year ended 31 December					
	2011		2012		2013	
Subcontracting fees changes	Net profit	Change in net profit	Net profit	Change in net profit	Net profit	Change in net profit
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
3.0%	4,359	-78%	17,620	-55%	11,051	-55%
2.0%	9,529	-52%	21,271	-37%	15,638	-37%
1.0%	14,698	-26%	24,921	-18%	20,226	-18%
0	19,868	0%	28,572	0%	24,813	0%
-1.0%	25,038	26%	32,223	18%	29,400	18%
-2.0%	30,207	52%	35,873	37%	33,988	37%
-3.0%	35,377	78%	39,524	55%	38,575	55%

Our cost of sales mainly comprised the subcontracting fees we paid to the third-party manufacturers. For each of the three years ended 31 December 2013, subcontracting fees amounted to approximately HK$517.0 million, HK$365.1 million and HK$458.7 million, respectively, representing approximately 77.5%, 78.8% and 82.7% of our Group's total revenue for the respective years.

Our business is dependent on our ability to source the apparel products we procured for our customers from third-party manufacturers and our financial performance is sensitive to price fluctuation of the subcontracting fees we paid to third-party manufacturers we engaged. Our Directors are of the view that the subcontracting fees we paid during the Track Record Period were generally consistent with market prices, and we expect subcontracting fees will continue to follow market prices under normal operating and marketing conditions when we set prices. Any material fluctuation in the subcontracting fees paid to our third-party manufacturers which we cannot reflect in the prices offered to our customers may affect the result of our operations.

BREAKEVEN ANALYSIS

For the year ended 31 December 2011, it is estimated that (i) with a decrease in turnover of approximately 3.1% and all other variables held constant, our Group would achieve breakeven; and (ii) with an increase in subcontracting fee of approximately 4.0% and all other variables held constant, our Group would achieve breakeven.

For the year ended 31 December 2012, it is estimated that (i) with a decrease in turnover of approximately 6.7% and all other variables held constant, our Group would achieve breakeven; and (ii) with an increase in subcontracting fee of approximately 8.5% and all other variables held constant, our Group would achieve breakeven.

For the year ended 31 December 2013, it is estimated that (i) with a decrease in turnover of approximately 4.9% and all other variables held constant, our Group would achieve breakeven; and (ii) with an increase in subcontracting fee of approximately 5.9% and all other variables held constant, our Group would achieve breakeven.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions (including recurring and non-recurring transactions) set out in note 35 to the Accountants' Report in Appendix I to this document, our Directors are of the opinion that during the Track Record Period, these transactions were conducted on normal commercial terms and were no less favourable than terms available from Independent Third Parties which are considered fair and reasonable.

For analysis of related party transactions, see "Connected Transactions" and note 35 to the Accountants' Report in Appendix I to this document.

Having considered that the amounts of these related party transactions are immaterial, our Directors are of the view that the aforesaid related party transactions did not distort our financial results during the Track Record Period or cause our Track Record Period results to be unreflective of our future performance.

OFF BALANCE SHEET TRANSACTIONS

We have not entered into any material off balance sheet transactions or arrangements during the Track Record Period.

PROPERTY INTERESTS

We leased properties for our use as offices and dormitories as accommodation of our staff as at the Latest Practicable Date, see "Business — Properties".

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on 30 September 2013. As at 31 December 2013, our Company had no reserves available for distribution to our equity holders.

[REDACTED]

DIVIDEND AND DIVIDEND POLICY

Hanbo Enterprises Macao, which had sufficient reserve available for distribution, declared dividend for the year ended 31 December 2012 in the sum of approximately HK$29.4 million to Hanbo Enterprises BVI on 20 July 2012 and dividends for the year ended 31 December 2013 of approximately HK$70.5 million, which were declared and offset with balance of the current account with our Controlling Shareholders as at 31 December 2013. The declaration and payment of these dividends complied fully with the articles of association of and relevant laws applicable to Hanbo Enterprises Macao. Subsequent to the Track Record Period, in March 2014, we had declared dividend of approximately HK$1.1 million to our Controlling Shareholders, which were fully set off against the same amount of receivables due to us from our Controlling Shareholders prior to the **[REDACTED]**.

Save for the above, no dividends have been declared and paid by the companies now comprising our Group to their then respective shareholders during the Track Record Period and up to the Latest Practicable Date.

After completion of the **[REDACTED]**, our Shareholders will be entitled to receive dividends only when declared by our Directors. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. As these factors and the payment of dividends is at the discretion of our Board, which reserves the right to change its plan on the payment of dividends, there can be no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

The impact of the **[REDACTED]** on our combined statements of profit or loss as disclosed in the paragraph headed "**[REDACTED]**" in this section, together with the financial impact of the material decrease in sales for the four months ended 30 April 2014 on a period-to-period basis as disclosed in the section headed "Summary and Highlights — Recent developments subsequent to the Track Record Period" to this document, have resulted in material adverse changes in the financial or trading position or prospect of our Group since 31 December 2013, being the date to which the latest audited financial statements of our Group were prepared.

Save as disclosed above, our Directors confirm that as of the date of this document, there has been no material adverse change in our financial and trading positions or prospects since 31 December 2013, being the date to which our latest audited financial information was prepared and there had been no event since 31 December 2013 which would materially and adversely affect the information shown in the Accountants' Report set forth in Appendix I to this document.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted combined net tangible assets of our Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the **[REDACTED]** on the combined net tangible assets of our Group attributable to owners of our Company as if the **[REDACTED]**

[REDACTED] had taken place on 31 December 2013. This unaudited pro forma statement of adjusted combined 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 combined net tangible assets of our Group had the **[REDACTED]** been completed as at 31 December 2013 or any future dates:

	Combined net tangible assets attributable to owners of our Company as at 31 December 2013	**Estimated net proceed from the [REDACTED]**	**Unaudited pro forma adjusted combined net tangible assets**	**Unaudited pro forma adjusted combined net tangible assets per Share**
	HK$'000 (Note 1)	*HK$'000 (Note 2)*	*HK$'000*	*HK$ (Note 3)*
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The combined net tangible assets attributable to owners of our Company as at 31 December 2013 is extracted from the Accountants' Report set out in Appendix I to this document.

(2) The estimated net proceeds from the **[REDACTED]** *are based on the indicative* **[REDACTED]** *of HK$***[REDACTED]** *and HK$***[REDACTED]** *per Share, after deduction of the* ***[REDACTED]*** *fees and other related expenses payable by our Company.*

(3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on **[REDACTED]** *Shares expected to be in issue immediately following the completion of the* **[REDACTED]** *without taking into account of any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of shares.*

(4) No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2013.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Our Group's principal financial instruments include cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, balances with the related companies, the shareholders and directors, trade and bills payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings.

The main risks arising from our Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. Our Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

Our Group's exposure to the risk of changes in market interest rates relates primarily to our Group's debt obligations with floating interest rates.

For US$ floating-rate bank borrowings, a 50 basis point increase/decrease in interest rates at 31 December 2011, 2012 and 2013 would have decreased/increased our Group's profit before tax and equity by HK$120,000, HK$41,000 and HK$64,000, respectively.

Foreign currency risk

Our Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Our Group has currency exposure as certain subcontracting fees incurred in the PRC were denominated in RMB.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of RMB against US$ may have impact on the operating results of our Group.

The following table demonstrates the sensitivity at the end of each of the years ended 31 December 2011, 2012 and 2013 to a reasonably possible change in RMB exchange rate, with all other variables held constant, of our Group's profit before tax.

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in profit before tax
	%	*HK$'000*
2011		
If US$ weakens against RMB	5.0	1,059
If US$ strengthens against RMB	(5.0)	(1,059)
2012		
If US$ weakens against RMB	5.0	685
If US$ strengthens against RMB	(5.0)	(685)
2013		
If US$ weakens against RMB	5.0	246
If US$ strengthens against RMB	(5.0)	(246)

We are also exposed to currency risk of appreciation of MOP, KHR or BDT, but such exposure is relatively immaterial. We have not entered into any agreements to hedge our exchange rate exposure. Our management monitors exchange rate exposure and will consider hedging significant exchange rate exposure should the need arise.

Credit risk

The trade and bill receivable balances included in the statements of financial position represent our Group's maximum exposure to credit risk in relation to our Group's trade and bills receivables. Our Group has certain concentration of credit risk in relation to trade and bills receivables as the trade and bills receivables due from our Group's largest debtor and the five largest debtors, accounted for 25% and 82%; 23% and 79%; and 24% and 82% of our Group's trade and bills receivables as at 31 December 2011, 2012 and 2013, respectively.

Our Group performs ongoing credit evaluations of our customers' financial conditions and requires no collateral from our customers. The allowance for doubtful debts is based upon a review of the expected collectability of all trade and bills receivables.

With respect to credit risk arising from the other financial assets of our Group, comprising cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, and amounts due from related companies, our Controlling Shareholders and Directors, represent our Group's major exposure to the credit risk arising from the default of the counterparties, with a maximum exposure equal to the carrying amount of these financial assets in the statements of financial position. Our Group seeks to maintain strict control over its outstanding receivables and has its credit control policy to minimise the credit risks. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by senior management. Accordingly, our Group's exposure to bad debts is not significant.

Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. Our Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that our Group maintains sufficient cash to meet its liquidity requirements.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. Our Group was exposed to equity price risk arising from individual equity investments classified as held-for-trading equity investments as at 31 December 2011, 2012 and 2013. Our Group's equity investments are listed on the Stock Exchange and were valued at quoted market prices at the end of each year of the Track Record Period.

The Hang Seng Index, at the close of business of the nearest trading day in the year to the end of each year of the Track Record Period, and the highest and lowest point during each year of the Track Record Period were as follows:

	31 December	High	Low
Year ended 31 December 2011	18,434	24,469	16,170
Year ended 31 December 2012*(Note)*	22,657	22,719	18,056
Year ended 31 December 2013	N/A	N/A	N/A

Note: Our Group does not make further investment in any securities markets after the disposal of our Group's securities in January 2013.

The following table demonstrates the sensitivity to every 5.0% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of each year of the Track Record Period.

	Carrying amount of the relevant investments	Increase/ (decrease) in profit before tax
	HK$'000	*HK$'000*
2011		
5.0% increase in fair values	4,053	193
5.0% decrease in fair values	3,667	(193)
2012		
5.0% increase in fair values	22,675	1,080
5.0% decrease in fair values	20,515	(1,080)
2013		
5.0% increase in fair values	N/A	N/A
5.0% decrease in fair values	N/A	N/A

We have no current intention to make equity investment in any markets after **[REDACTED]**.

Capital management

The primary objectives of our Group's capital management are to safeguard our Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

Our Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, our Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Our Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during each year of the Track Record Period.

Our Group monitors capital on the basis of a gearing ratio. The ratio is calculated by dividing the total debts by total equity attributable to owners of our Company. Total debts are defined to include all borrowings and payables incurred not in the ordinary course of business.

At the end of each year of the Track Record Period, all our Group's interest-bearing bank borrowings and payables were incurred in the ordinary course of business. The gearing ratio is nil at the end of each year of the Track Record Period.

FUTURE PLANS AND USE OF PROCEEDS

See "Business — Our business strategies" for a description of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds to our Company from the **[REDACTED]**, after deducting the **[REDACTED]** commissions and estimated expenses in relation to the **[REDACTED]** payable by our Company, will be approximately HK$**[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of our indicative **[REDACTED]** range of HK$**[REDACTED]** and HK$**[REDACTED]**). We intend to use the net proceeds for the following purposes:

- approximately HK$**[REDACTED]**, or approximately **[REDACTED]** of the net proceeds will be used for enhancement of our design and development capability, including HK$**[REDACTED]** for staff costs; HK$**[REDACTED]** for sample and business development, HK$**[REDACTED]** for the increased overhead expenses for our design staff and HK$**[REDACTED]** for design software and boutique subscriptions. For further details, see "Business — Our business strategies — Further develop our design and development capabilities";

- approximately HK$**[REDACTED]** , or approximately **[REDACTED]** of the net proceeds will be used for expansion of our network of third-party manufacturers, including HK$**[REDACTED]** for staff costs and HK$**[REDACTED]** for allowances and travel costs. For further details, see "Business — Our business strategies — Expand the geographical base of the third-party manufacturers";

- approximately HK$**[REDACTED]**, or approximately **[REDACTED]** of the net proceeds will be used for product type expansion, including HK$**[REDACTED]** for staff and administration costs; and HK$**[REDACTED]** for changes in our business including sample development and business trips. For further details, see "Business — Our business strategies — Expand our product types to further cater to our customers' needs and attract new customers";

- approximately HK$**[REDACTED]**, or approximately **[REDACTED]** of the net proceeds will be used for enhancement of our IT system and upgrading of our ERP system, including HK$**[REDACTED]** for capital investments in hardware, HK$**[REDACTED]** for related services, HK$**[REDACTED]** for an annual system audit and HK$**[REDACTED]** in overhead expenses for our I.T staff. For further details, see "Business — Our business strategies — Further enhance our information technology systems and upgrade our ERP system"; and

- approximately HK$**[REDACTED]**, or approximately **[REDACTED]** of the net proceeds will be used for working capital and other general corporate purposes.

To the extent the net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

[REDACTED]

To the extent that the net proceeds of the **[REDACTED]** are not immediately used for the purposes described above they will be placed in short term demand deposits and/or money market instruments.

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

[REDACTED]

SPONSOR'S, [REDACTED] AND [REDACTED] INTEREST IN OUR COMPANY

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

[REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

[REDACTED]

[REDACTED]

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

[REDACTED]

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of our company, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

30 June 2014

The Directors
Hanbo Enterprises Holdings Limited
Quam Capital Limited

Dear Sirs,

We set out below our report on the financial information of Hanbo Enterprises Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the combined statements of profit or loss, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the years ended 31 December 2011, 2012 and 2013 (the "Track Record Period"), and the combined statements of financial position of the Group as at 31 December 2011, 2012 and 2013, and the statement of financial position of the Company as at 31 December 2013, together with the notes thereto (the "Financial Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the document of the Company dated 30 June 2014 (the "document") in connection with the **[REDACTED]** (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 30 September 2013 as an exempted company with limited liability. Pursuant to a group reorganisation (the "Reorganisation") as described in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" to the document, the Company became the holding company of the companies now comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in the Cayman Islands.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Track Record Period are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the combined financial statements of the Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial

Statements for each of the years ended 31 December 2011, 2012 and 2013 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 **[REDACTED]** *and the Reporting Accountant* issued by the HKICPA.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2011, 2012 and 2013, and the state of affairs of the Company as at 31 December 2013, and of the combined results and cash flows of the Group for each of the Track Record Period.

I. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS

	Section II Notes	Year ended 31 December		
		2011	2012	2013
		HK$'000	*HK$'000*	*HK$'000*
REVENUE	7	666,739	463,568	554,589
Cost of sales		(581,668)	(390,366)	(469,981)
Gross profit		85,071	73,202	84,608
Other income and gains	7	5,490	9,112	4,642
Selling and distribution costs		(1,879)	(1,371)	(1,845)
Administrative expenses		(59,986)	(47,568)	(49,462)
Other expenses		(6,652)	(1,728)	(10,693)
Finance cost	8	(1,488)	(527)	(265)
PROFIT BEFORE TAX	9	20,556	31,120	26,985
Income tax expense	12	(688)	(2,548)	(2,172)
PROFIT FOR THE YEAR		19,868	28,572	24,813
Attributable to owners of the Company	14	19,868	28,572	24,813
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY				
Basic and diluted	15	N/A	N/A	N/A

Details of the dividends declared/paid by the Company's subsidiaries to their then shareholders during each of the Track Record Period are disclosed in note 13 of Section II below.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
PROFIT FOR THE YEAR	19,868	28,572	24,813
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange fluctuation reserve:			
— Translation of foreign operations	25	23	(82)
— Release upon deregistration of a subsidiary	—	(144)	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	25	(121)	(82)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	19,893	28,451	24,731
Attributable to owners of the Company	19,893	28,451	24,731

COMBINED STATEMENTS OF FINANCIAL POSITION

	Section II Notes	31 December		
		2011	2012	2013
		HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	16	4,579	4,081	6,193
Other receivables	19	—	1,049	775
Total non-current assets		4,579	5,130	6,968
CURRENT ASSETS				
Inventories	17	9,755	2,640	227
Trade and bills receivables	18	77,826	59,279	66,788
Prepayments, deposits and other receivables	19	49,755	65,022	52,005
Equity investments at fair value through profit or loss	20	3,860	21,595	—
Due from related companies	24	9,841	10,156	—
Due from shareholders	24	25,918	19,006	—
Cash and cash equivalents	21	87,393	71,474	42,384
Tax recoverable		841	—	—
Total current assets		265,189	249,172	161,404
CURRENT LIABILITIES				
Trade and bills payables	22	40,435	43,313	30,775
Other payables and accruals	23	11,124	9,413	13,342
Due to a related company	24	611	611	—
Due to shareholders	24	48,092	51,618	—
Due to directors	24	1,070	—	—
Interest-bearing bank borrowings	25	23,995	8,276	12,875
Provision	27	5,029	—	—
Tax payable		1,507	4,046	6,208
Total current liabilities		131,863	117,277	63,200
NET CURRENT ASSETS		133,326	131,895	98,204
TOTAL ASSETS LESS CURRENT LIABILITIES		137,905	137,025	105,172
NON-CURRENT LIABILITIES				
Deferred tax liabilities	26	15	25	34
Other payables and accruals	23	960	1,008	396
Total non-current liabilities		975	1,033	430
Net assets		136,930	135,992	104,742
EQUITY				
Equity attributable to owners of the Company				
Issued capital	28	—	—	—
Reserves	29(a)	136,930	135,992	104,742
Total equity		136,930	135,992	104,742

COMBINED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company						
	Section II Note	Issued capital	Capital reserve	Exchange fluctuation reserve	Legal reserve	Merger reserve	Retained profits	Total
		HK$'000	*HK$'000 Note 29(a)(iii)*	*HK$'000*	*HK$'000 Note 29(a)(i)*	*HK$'000 Note 29(a)(ii)*	*HK$'000*	*HK$'000*
At 1 January 2011		—	—	113	49	1,408	115,467	117,037
Profit for the year		—	—	—	—	—	19,868	19,868
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations		—	—	25	—	—	—	25
Total comprehensive income for the year		—	—	25	—	—	19,868	19,893
At 31 December 2011 and 1 January 2012		—	—*	138*	49*	1,408*	135,335*	136,930
Profit for the year		—	—	—	—	—	28,572	28,572
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations		—	—	23	—	—	—	23
Release of exchange fluctuation reserve upon deregistration of a subsidiary		—	—	(144)	—	—	—	(144)
Total comprehensive income/(loss) for the year		—	—	(121)	—	—	28,572	28,451
Incorporation of a subsidiary		—	—	—	—	11	—	11
Interim dividends to the then shareholders	13	—	—	—	—	—	(29,400)	(29,400)
At 31 December 2012 and 1 January 2013		—	—*	17*	49*	1,419*	134,507*	135,992
Profit for the year		—	—	—	—	—	24,813	24,813
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations		—	—	(82)	—	—	—	(82)
Total comprehensive income/(loss) for the year		—	—	(82)	—	—	24,813	24,731
Increase in share capital of a subsidiary		—	—	—	—	6,998	—	6,998
Capital contribution from shareholders		—	7,512	—	—	—	—	7,512
Interim dividends to the then shareholders	13	—	—	—	—	—	(70,491)	(70,491)
At 31 December 2013		—	7,512*	(65)*	49*	8,417*	88,829*	104,742

* *These reserve accounts comprise the combined reserves of HK$136,930,000, HK$135,992,000 and HK$104,742,000 in the combined statements of financial position as at 31 December 2011, 2012 and 2013, respectively.*

COMBINED STATEMENTS OF CASH FLOWS

	Section II Notes	Year ended 31 December 2011	2012	2013
		HK$'000	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		20,556	31,120	26,985
Adjustments for:				
Bank interest income	7	(76)	(170)	(338)
Other interest income	7	(120)	(120)	—
Dividend income from listed equity investments	7	(30)	(467)	—
Gain on deregistration of a subsidiary	7	—	(99)	—
Finance cost	8	1,488	527	265
Depreciation	9	2,771	1,407	1,031
Fair value losses/(gains) on equity investments at fair value through profit or loss				
— Unrealised	9	1,263	(3,107)	—
— Realised	9	—	—	(769)
Gains on disposal of items of property, plant and equipment	9	—	(177)	—
Write-off of items of property, plant and equipment	9	1,793	—	151
		27,645	28,914	27,325
Decrease/(increase) in inventories		(86)	7,115	2,413
Decrease/(increase) in trade and bills receivables		22,514	18,547	(7,509)
Decrease/(increase) in prepayments, deposits and other receivables		78,124	(13,453)	12,780
Decrease/(increase) in amounts due from related companies		2,603	(168)	10,158
Increase/(decrease) in trade and bills payables		(19,825)	2,878	(12,538)
Increase/(decrease) in other payables and accruals		115	(1,842)	3,261
Decrease in provision		(277)	(5,029)	—
Decrease in amounts due to related companies		(4,319)	—	(611)
Increase/(decrease) in amounts due to directors		1,070	(1,070)	—
Cash generated from operations		107,564	35,892	35,279
Interest received		76	170	338
Hong Kong profits tax refund/(paid)		(1,774)	842	—
Net cash flows from operating activities		105,866	36,904	35,617
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	16	(626)	(1,448)	(3,287)
Purchases of equity investments at fair value through profit or loss		(5,123)	(14,628)	—
Dividends received from listed equity investments		30	467	—
Residual received from deregistration of a subsidiary		—	99	—
Proceeds from disposal of equity investments at fair value through profit or loss		—	—	22,364
Receipt/(advances) of loans to third-party manufacturers		1,121	(2,126)	521
Net cash flows from/(used in) investing activities		(4,598)	(17,636)	19,598
CASH FLOWS FROM FINANCING ACTIVITIES				
New trust receipt loans		348,145	245,054	286,826
Repayment of trust receipt loans		(380,662)	(260,773)	(282,227)
Movements in net balances with shareholders		(38,263)	(18,951)	(88,753)
Interest paid		(1,488)	(527)	(265)
Net cash flows used in financing activities		(72,268)	(35,197)	(84,419)

COMBINED STATEMENTS OF CASH FLOWS (continued)

	Section II Notes	Year ended 31 December		
		2011	2012	2013
		HK$'000	*HK$'000*	*HK$'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		29,000	(15,929)	(29,204)
Cash and cash equivalents at beginning of year		58,370	87,393	71,474
Effect of foreign exchange rate changes, net		23	10	114
CASH AND CASH EQUIVALENTS AT END OF YEAR		87,393	71,474	42,384
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	21	67,015	60,937	42,384
Non-pledged time deposits with original maturity of less than three months when acquired	21	20,378	10,537	—
Cash and cash equivalents as stated in the combined statements of financial position and combined statements of cash flows		87,393	71,474	42,384

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Section II Notes	31 December 2013
		HK$'000
CURRENT LIABILITY		
Due to a subsidiary		137
Net liability		137
DEFICIENCY IN ASSETS		
Issued capital	28	—
Accumulated loss	29(b)	137
Total deficiency in assets		137

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Flat A & B, 9/F, Tontex Industrial Building, 2-4 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong.

The Company is an investment holding company. During the Track Record Period, the Company's subsidiaries were primarily engaged in the manufacture and trading of apparel products and provision of apparel supply chain management services. The Group ceased the manufacture of apparel products following the closure of the Group's manufacturing factory located in the People's Republic of China (the "PRC") during the year ended 31 December 2012.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" to the document.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hanbo Enterprises Limited (恒寶企業有限公司) (Note (a))	Hong Kong/ Mainland China 20 August 1991	HK$10,000	100	—	Manufacture and trading of apparel products and provision of apparel supply chain management services
Hanbo Enterprises Limited — Macao Commercial Offshore (恆寶企業有限公司 — 澳門離岸商業服務) (Note (b))	Macao 3 January 2005	MOP100,000	—	100	Trading of apparel products
Hanbo Enterprises (Holding) Limited (Note (c))	British Virgin Islands 29 April 2004	US$50,000	100	—	Investment holding
Goodeed Limited (佳寶集團有限公司) (Note (a))	Hong Kong 27 January 1994	HK$10,000	—	100	Provision of re-invoicing services
Hanbo GSC (Cambodia) Ltd. (Note (c))	Cambodia 29 June 2012	KHR4,000,000,000	—	100	Provision of apparel supply chain management services
Superbo Trading Co. Limited (兆寶貿易有限公司) (Note (a))	Hong Kong 25 November 1993	HK$1,000,000	—	100	Property investment and provision of management services
Yibao Clothing (Shenzhen) Co., Ltd. ("Yibao Clothing", 億寶服裝 (深圳) 有限公司) (Note (d))	PRC/ Mainland China 15 June 2012	HK$8,870,000	—	100	Provision of apparel supply chain management services

The English name of Yibao Clothing represents management's best effort at translating its Chinese name as no English name has been registered.

Notes:

(a) The statutory financial statements of these entities for the years ended 31 December 2011, 2012 and 2013 prepared under HKFRSs were audited by Ernst & Young, Hong Kong.

(b) The statutory financial statements of this entity for the years ended 31 December 2011, 2012 and 2013 prepared under Financial Reporting Standards promulgated by the Macao Special Administrative Region and, where applicable, International Financial Reporting Standards, were audited by Ernst & Young, Macao.

(c) No audited financial statements have been prepared for these entities since their incorporation as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.

(d) Yibao Clothing is registered as a wholly-owned foreign enterprise under the laws of the PRC. The statutory financial statements for the period from 15 June 2012 (date of registration) to 31 December 2012 and the year ended 31 December 2013 prepared under the PRC Generally Accepted Accounting Principles were audited by Shenzhen Dezheng Certified Public Accountants Co., Ltd. (深圳德正會計師事務所有限公司), certified public accountants registered in the PRC.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" to the document, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Track Record Period on 17 June 2014. The companies now comprising the Group were under common control of Mr. Liu Ying Yin, James and Mr. Cheng Lap Yin (the "Controlling Shareholders") before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The combined statements of profit or loss, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period. The combined statements of financial position of the Group's subsidiaries as at 31 December 2011, 2012 and 2013 have been prepared to present the assets and liabilities of the Group using the existing carrying values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2013, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Track Record Period.

The Financial Information has been prepared under the historical cost convention, except for equity investments at fair value through profit or loss, which have been measured at fair value. The Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instrument*[3]
HKFRS 9 and HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[1]
HKFRS 11 Amendments	*Accounting for Acquisition of Interests in Joint Operations*[6]
HKFRS 14	*Regulatory Deferral Accounts*[4]
HKAS 16 and HKAS 38 Amendments	*Clarification of Acceptable Methods of Depreciation and Amortisation*[6]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements to HKFRSs 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[5]
Annual Improvements to HKFRSs 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[5]

[1] *Effective for annual periods beginning on or after 1 January 2014*

[2] *Effective for annual periods beginning on or after 1 July 2014*

[3] *No mandatory effective date yet determined but is available for adoption*

[4] *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016 and not applicable to the Group*

[5] *Generally effective for annual periods beginning, or transactions occurring, on or after 1 July 2014*

[6] *Effective for annual periods beginning on or after 1 January 2016*

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of combination

This Financial Information includes the financial statements of the Company and its subsidiaries now comprising the Group for the Track Record Period. As explained in note 2.1 of Section II above, the acquisition of subsidiaries under common control has been accounted for using the merger accounting.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the

investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Track Record Period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and building	2% or over the lease terms, whichever rate is higher
Leasehold improvements	Over the shorter of the lease term and 20%
Machinery and equipment	10%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	25%
Computer equipment	20% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance lease. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under

operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's combined statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each of the Track Record Period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are all classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the Track Record Period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provision for restructuring is recognised based on the best estimation on probable direct expenditures arising from the restructuring, which are those that are necessarily entailed by the restructuring; and not associated with the ongoing activities of the entity. The estimation is reviewed on an ongoing basis and revised where appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Track Record Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Track Record Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Track Record Period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rework and compensation income, when the right to receive payment has been established;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

(a) Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's operations in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit of loss as they become payable in accordance with the rules of the central pension scheme.

The employees of the Group's operations in Macao are required to participate in a central social security scheme operated by the Macao Special Administrative Region government. The Group is required to contribute a fixed amount of its payroll costs to the central social security scheme. The contributions are charged to the statement of profit of loss as they become payable in accordance with the rules of the central social security scheme.

(b) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Financial Information is presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Track Record Period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of each of the Track Record Period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of each of the Track Record Period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the combined statements of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for each of the Track Record Period.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions, including any potential tax liabilities. When the Group determines any transactions that may result in probable future tax outflows and the amount can be reliably measured, tax provisions are recorded accordingly. Such tax provision may not be indicative of the ultimate tax payment with tax authorities. The tax treatment of such transactions is considered periodically to take into account all changes in tax legislation.

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services; the currency of the country whose competitive forces and regulations mainly determine the sale prices of

the entity's goods and services; and the currency that mainly influences labour, material and other costs of providing goods or services.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of property, plant and equipment

Items of property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

Write-down of inventories to net realisable value

Management reviews the condition of inventories of the Group and write-down the carrying amounts of obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use to their respective net realisable value. The Group estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions at the end of each of the Track Record Period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been made.

Impairment of loans and receivables

The Group assesses at the end of each of the Track Record Period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

6. OPERATING SEGMENT INFORMATION

The Group focuses primarily on trading of apparel products and provision of the apparel supply chain management services during the Track Record Period. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and

no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

The Company is domiciled in the Cayman Islands while approximately 91.0%, 90.4% and 88.6% of the Group's revenue from external customers, based on the locations of the products shipped to, were attributed to the United States of America during the years ended 31 December 2011, 2012 and 2013, respectively. At the end of each of the Track Record Period, the non-current assets of the Group were located in:

	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	3,388	3,595	3,212
Mainland China	1,071	485	246
Other countries	120	1,050	3,510
	4,579	5,130	6,968

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for each of the Track Record Period is set out below:

	Year ended 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Customer A	191,751	156,638	131,344
Customer B	139,405	90,908	80,903
Customer C	138,252	70,599	162,547
Customer D	83,077	N/A*	63,347

* *Less than 10 percent of revenue*

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of apparel products sold, after allowances for returns and trade discounts.

An analysis of the Group's other income and gains is as follows:

	Year ended 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Other income			
Bank interest income	76	170	338
Dividend income from listed equity investments	30	467	—
Sale of scrap materials	2,496	2,433	1,397
Other interest income	120	120	—
Rework and compensation income	1,421	2,110	1,076
Sundry income	147	146	427
	4,290	5,446	3,238
Gains			
Exchange gains, net	1,200	283	635
Fair value gains on equity investments at fair value through profit or loss			
— Unrealised	—	3,107	—
— Realised	—	—	769
Gain on deregistration of a subsidiary	—	99	—
Gain on disposal of items of property, plant and equipment	—	177	—
	1,200	3,666	1,404
	5,490	9,112	4,642

8. FINANCE COST

	Year ended 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank loans wholly repayable within five years	1,488	527	265

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Note	Year ended 31 December 2011	2012	2013
		HK$'000	*HK$'000*	*HK$'000*
Auditors' remuneration		748	785	1,074
Cost of inventories sold		581,668	390,366	469,981
Depreciation~	16	2,771	1,407	1,031
Minimum lease payments under operating leases in respect of land and buildings		3,847	3,474	2,146
Employee benefit expense (including directors' remuneration (note 10))				
— Wages and salaries		39,924	32,300	30,191
— Pension scheme contributions#		3,301	1,758	1,892
		43,225	34,058	32,083
Foreign exchange differences, net		(1,200)	(283)	(635)
Write-off of items of property, plant and equipment*	16	1,793	—	151
Fair value losses/(gains) on equity investments at fair value through profit or loss^				
— Unrealised		1,263	(3,107)	—
— Realised		—	—	(769)
Gain on disposal of items of property, plant and equipment		—	(177)	—

\# *At the end of each of the Track Record Period, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.*

* *The item was included in "Other expenses" in the combined statements of profit or loss during the Track Record Period.*

^ *The item was included in "Other income and gains" for gains and "Other expenses" for losses in the combined statements of profit or loss during the Track Record Period.*

~ *Included in cost of sales for the years ended 31 December 2011, 2012 and 2013 was depreciation charge of HK$275,000, HK$204,000 and nil, respectively.*

10. DIRECTORS' REMUNERATION

Directors' remuneration for each of the Track Record Period, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange is as follows:

Group

	Year ended 31 December 2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Fees	—	—	—
Other emoluments:			
Salaries and allowances	2,327	2,317	2,236
Discretionary bonuses	—	—	187
Pension scheme contributions	48	55	60
	2,375	2,372	2,483
	2,375	2,372	2,483

(a) Non-executive directors and independent non-executive directors

The Company did not have any non-executive directors and independent non-executive directors at any time during the Track Record Period.

(b) Executive directors

	Fees	Salaries and allowances	Discretionary bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2011					
Mr. Liu Ying Yin, James	—	—	—	—	—
Mr. Cheng Lap Yin	—	697	—	12	709
Mr. Liu Chung Tong	—	552	—	12	564
Mr. Yu Yuen Mau, Banny	—	627	—	12	639
Mr. Kao Lap Shing	—	451	—	12	463
	—	2,327	—	48	2,375

	Fees	Salaries and allowances	Discretionary bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2012					
Mr. Liu Ying Yin, James	—	—	—	—	—
Mr. Cheng Lap Yin	—	663	—	14	677
Mr. Liu Chung Tong	—	561	—	13	574
Mr. Yu Yuen Mau, Banny	—	636	—	14	650
Mr. Kao Lap Shing	—	457	—	14	471
	—	2,317	—	55	2,372

	Fees	Salaries and allowances	Discretionary bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2013					
Mr. Liu Ying Yin, James	—	—	—	—	—
Mr. Cheng Lap Yin	—	528	44	15	587
Mr. Liu Chung Tong	—	561	47	15	623
Mr. Yu Yuen Mau, Banny	—	636	53	15	704
Mr. Kao Lap Shing	—	511	43	15	569
	—	2,236	187	60	2,483

Mr. Liu Ying Yin, James, Mr. Cheng Lap Yin, Mr. Liu Chung Tong, Mr. Yu Yuen Mau, Banny and Mr. Kao Lap Shing were appointed as directors of the Company on 30 September 2013.

There were no arrangements under which a director waived or agreed to waive any remuneration during the Track Record Period.

During the Track Record Period, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals included three, four and four directors for the years ended 31 December 2011, 2012 and 2013, respectively, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining non-director, highest paid employees of the Group for the Track Record Period are as follows:

	Year ended 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Salaries	982	487	510
Discretionary bonuses	240	200	43
Pension scheme contributions	24	14	15
	1,246	701	568

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2011	2012	2013
Nil to HK$1,000,000	2	1	1

During the Track Record Period, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for each of the Track Record Period.

All subsidiaries of the Company established in Mainland China are subject to the PRC corporate income tax at a standard rate of 25% for each of the Track Record Period.

No provision for Macao complementary tax has been made as the Company's subsidiary established in Macao is exempted from Macao complementary tax pursuant to Macao's relevant tax legislations.

Cambodian tax on profit has been provided at the rate of 20% on the taxable profits or a minimum tax of 1% of total revenues, whichever is higher, arising during each of the Track Record Period.

No provision for Bangladesh income tax has been made for the liaison office of the Company's subsidiary as no assessment profit in Bangladesh was generated during the Track Record Period.

	Year ended 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Group:			
Current — Hong Kong			
Charge for the year	417	1,956	1,570
Overprovision in prior years	(26)	—	—
Current — Elsewhere			
Charge for the year	575	582	593
Deferred (note 26)	(278)	10	9
Total tax charge for the year	688	2,548	2,172

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

Group

	Year ended 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	20,556	31,120	26,985
Tax at the statutory tax rate	3,392	5,135	4,453
Different tax rates for specific provinces or enacted by local authorities	(352)	(347)	(286)
Effect of deemed profit tax	576	558	592
Adjustments in respect of current tax of previous periods	(26)	—	—
Effect on tax concession	—	(10)	—
Income not subject to tax	(5,141)	(4,885)	(4,282)
Expenses not deductible for tax	1,144	387	2,142
Temporary difference not recognised	288	52	(287)
Tax losses utilised from previous periods	—	(87)	(663)
Tax losses not recognised	807	1,745	503
Tax charge at the Group's effective tax rate	688	2,548	2,172

13. DIVIDENDS

The dividends declared by a subsidiary of the Company to the then shareholders during each of the Track Record Period are as follows:

Group

	Year ended 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Interim dividends	—	29,400	70,491

No dividend has been paid or declared by the Company since its incorporation.

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The combined profit attributable to owners of the Company for the period from 30 September 2013 (date of incorporation) to 31 December 2013 included a loss of HK$137,000 which has been dealt with in the Financial Information of the Company.

15. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Track Record Period as disclosed in note 2.1 of Section II above.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and building	Leasehold improvements	Machinery and equipment	Furniture and fixtures	Office equipment	Motor vehicles	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2011								
At 1 January 2011:								
Cost	3,291	6,511	28,801	2,674	4,460	1,492	967	48,196
Accumulated depreciation and impairment	(1,114)	(5,425)	(25,622)	(1,926)	(3,887)	(1,278)	(427)	(39,679)
Net carrying amount	2,177	1,086	3,179	748	573	214	540	8,517
At 1 January 2011, net of accumulated depreciation and impairment	2,177	1,086	3,179	748	573	214	540	8,517
Additions	—	15	129	115	248	7	112	626
Write-off	—	—	(1,793)	—	—	—	—	(1,793)
Depreciation	(66)	(814)	(293)	(730)	(595)	(107)	(166)	(2,771)
At 31 December 2011, net of accumulated depreciation and impairment	2,111	287	1,222	133	226	114	486	4,579
At 31 December 2011:								
Cost	3,291	5,398	25,018	2,150	3,683	1,499	1,006	42,045
Accumulated depreciation and impairment	(1,180)	(5,111)	(23,796)	(2,017)	(3,457)	(1,385)	(520)	(37,466)
Net carrying amount	2,111	287	1,222	133	226	114	486	4,579

Group

	Leasehold land and building	Leasehold improvements	Machinery and equipment	Furniture and fixtures	Office equipment	Motor vehicles	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2012								
At 1 January 2012:								
Cost	3,291	5,398	25,018	2,150	3,683	1,499	1,006	42,045
Accumulated depreciation and impairment	(1,180)	(5,111)	(23,796)	(2,017)	(3,457)	(1,385)	(520)	(37,466)
Net carrying amount	2,111	287	1,222	133	226	114	486	4,579
At 1 January 2012, net of accumulated depreciation and impairment	2,111	287	1,222	133	226	114	486	4,579
Additions	—	10	47	19	179	142	1,051	1,448
Disposals	—	—	(486)	—	—	(53)	—	(539)
Depreciation	(66)	(98)	(783)	(60)	(90)	(63)	(247)	(1,407)
At 31 December 2012, net of accumulated depreciation and impairment	2,045	199	—	92	315	140	1,290	4,081
At 31 December 2012:								
Cost	3,291	5,032	—	2,113	3,411	1,214	1,988	17,049
Accumulated depreciation and impairment	(1,246)	(4,833)	—	(2,021)	(3,096)	(1,074)	(698)	(12,968)
Net carrying amount	2,045	199	—	92	315	140	1,290	4,081

Group

	Leasehold land and building	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2013							
At 1 January 2013:							
Cost	3,291	5,032	2,113	3,411	1,214	1,988	17,049
Accumulated depreciation and impairment	(1,246)	(4,833)	(2,021)	(3,096)	(1,074)	(698)	(12,968)
Net carrying amount	2,045	199	92	315	140	1,290	4,081
At 1 January 2013, net of accumulated depreciation and impairment	2,045	199	92	315	140	1,290	4,081
Additions	—	2,250	247	376	—	414	3,287
Write-off	—	—	(1)	(63)	—	(87)	(151)
Depreciation	(66)	(395)	(64)	(102)	(37)	(367)	(1,031)
Exchange realignment	—	2	—	1	—	4	7
At 31 December 2013, net of accumulated depreciation and impairment	1,979	2,056	274	527	103	1,254	6,193
At 31 December 2013:							
Cost	3,291	2,739	448	735	149	1,976	9,338
Accumulated depreciation and impairment	(1,312)	(683)	(174)	(208)	(46)	(722)	(3,145)
Net carrying amount	1,979	2,056	274	527	103	1,254	6,193

As at 31 December 2011, 2012 and 2013, the Group's property with a net carrying amount of HK$2,111,000, HK$2,045,000 and HK$1,979,000, respectively, was pledged to secure general banking facilities granted to the Group (note 25).

Certain items of property, plant and equipment with aggregate carrying values of HK$4,984,000, HK$22,805,000 and HK$11,007,000 which were fully depreciated, were written off during the years ended 31 December 2011, 2012 and 2013, respectively.

The carrying value of leasehold land and building shown above is:

Group

	31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Leasehold land and building situated in Hong Kong under a medium term lease	2,111	2,045	1,979

17. INVENTORIES

Group

	31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	554	596	—
Work in progress	8,774	2,044	227
Finished goods	427	—	—
	9,755	2,640	227

18. TRADE AND BILLS RECEIVABLES

Group

	31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	76,420	50,083	58,805
Bills receivable	1,406	9,196	7,983
	77,826	59,279	66,788

The Group's trading terms with its customers are mainly on credit. The credit period generally ranges from 30 to 75 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a designated personnel to oversee credit control in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of each of the Track Record Period, based on the invoice date, is as follows:

Group

	31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	50,981	43,833	45,979
1 to 2 months	23,003	12,102	14,846
2 to 3 months	3,841	3,310	5,836
Over 3 months	1	34	127
	77,826	59,279	66,788

An aged analysis of the trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

Group

	31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	68,922	53,050	55,577
Less than 1 month past due	8,897	6,195	10,673
1 to 2 months past due	—	—	479
2 to 3 months past due	6	—	—
Over 3 months past due	1	34	59
	77,826	59,279	66,788

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Prepayments	152	186	558
Deferred expenses	660	2,041	3,475
Deposits	521	837	338
Loans to third-party manufacturers	59	2,185	1,664
Advances to third-party manufacturers	5,389	3,564	705
Other receivables	43,122	57,406	46,040
	49,903	66,219	52,780
Less: Impairment of an other receivable	(148)	(148)	—
	49,755	66,071	52,780
Analysed into:			
Non-current assets	—	1,049	775
Current assets	49,755	65,022	52,005
	49,755	66,071	52,780

The loans to third-party manufacturers are unsecured, interest-free and repayable within one year except for, (a) an amount of US$100,000 (HK$775,000), which is repayable on 30 June 2017; and (b) an amount of US$60,000 (HK$465,000) which is subject to guarantees given by parties independent to the Group.

Included in the above provision for impairment of other receivables is a provision for an individually impaired receivable of HK$148,000 and HK$148,000 as at 31 December 2011 and 2012, respectively with a carrying amount before provision of HK$148,000 and HK$148,000, respectively.

The movements in provision for impairment of other receivables are as follows:

Group

	31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	948	148	148
Amount written off as uncollectable	(800)	—	(148)
At 31 December	148	148	—

Other than the aforementioned impaired other receivable, none of the above financial assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

20. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Listed equity investments in Hong Kong, at fair value	3,860	21,595	—

The above equity investments were classified as held for trading and their fair values were based on quoted market prices. They were disposed of during the year ended 31 December 2013.

21. CASH AND CASH EQUIVALENTS

Group

	31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Cash and bank balances	67,015	60,937	42,384
Time deposits with original maturity of less than three months when acquired	20,378	10,537	—
Cash and cash equivalents	87,393	71,474	42,384

As at 31 December 2011, 2012 and 2013, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$12,990,000, HK$14,145,000 and HK$8,887,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one week and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

22. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of each of the Track Record Period, based on the invoice date, is as follows:

Group

	31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	29,146	31,499	24,647
1 to 2 months	6,044	6,831	4,881
2 to 3 months	1,095	985	335
Over 3 months	4,150	3,998	912
	40,435	43,313	30,775

The trade and bills payables are non-interest-bearing and are normally settled on an average term of 30 days.

23. OTHER PAYABLES AND ACCRUALS

Group

	31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Other payables	2,465	1,328	1,618
Accruals	9,619	9,093	12,120
	12,084	10,421	13,738
Analysed into:			
Non-current liabilities	960	1,008	396
Current liabilities	11,124	9,413	13,342
	12,084	10,421	13,738

Other payables are non-interest-bearing and are normally settled within one year.

24. BALANCES WITH RELATED COMPANIES, SHAREHOLDERS AND DIRECTORS

Particulars of the amounts due from related companies and shareholders are as follows:

31 December 2011

Group

	31 December 2011	Maximum amount outstanding during the year	1 January 2011
	HK$'000	*HK$'000*	*HK$'000*
Due from related companies			
Herotime Holdings (HK) Limited ("Herotime HK")	3,099	7,000	7,000
喜樂時服裝 (深圳) 有限公司 (formerly known as "恒寶製衣 (深圳) 有限公司", "Herotime Shenzhen")	6,742	8,076	5,325
	9,841		12,325
Due from shareholders			
Mr. Liu Ying Yin, James	13,218	30,937	613
Mr. Cheng Lap Yin	12,700	29,724	589
	25,918		1,202

31 December 2012

Group

	31 December 2012	Maximum amount outstanding during the year	1 January 2012
	HK$'000	*HK$'000*	*HK$'000*
Due from related companies			
Herotime HK	3,290	3,364	3,099
Herotime Shenzhen	6,866	10,778	6,742
	10,156		9,841
Due from shareholders			
Mr. Liu Ying Yin, James	9,693	13,226	13,218
Mr. Cheng Lap Yin	9,313	12,700	12,700
	19,006		25,918

31 December 2013

Group

	31 December 2013	Maximum amount outstanding during the year	1 January 2013
	HK$'000	*HK$'000*	*HK$'000*
Due from related companies			
Herotime HK	—	3,552	3,290
Herotime Shenzhen	—	7,314	6,866
	—		10,156
Due from shareholders			
Mr. Liu Ying Yin, James	—	46,117	9,693
Mr. Cheng Lap Yin	—	44,308	9,313
	—		19,006

An analysis of the amounts due to a related company, shareholders and directors is as follows:

Group

	31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Due to a related company			
Herotime HK	611	611	—
Due to shareholders			
Mr. Liu Ying Yin, James	24,753	26,470	—
Mr. Cheng Lap Yin	23,339	25,148	—
	48,092	51,618	—
Due to directors			
Mr. Yu Yuen Mau, Banny	600	—	—
Mr. Liu Chung Tong	300	—	—
Mr. Kao Lap Shing	170	—	—
	1,070	—	—

All the above related companies are controlled by the Controlling Shareholders.

At the end of each of the Track Record Period, balances with related companies were unsecured, interest-free and had no fixed terms of repayments, except for an amount due from Herotime Shenzhen of HK$2,000,000 at 31 December 2011 and 2012 which bore interest at a rate of 6% per annum and was repayable within one year from 31 December 2011 and 2012. During the year ended 31 December 2013, balances with related companies were set off against the current accounts with the Controlling Shareholders pursuant to a net-off agreement dated 27 December 2013 entered into between the Group, the Controlling Shareholders and the related companies (the "Net-off Agreement").

Balances with shareholders as at 31 December 2011 and 2012 were non-trade in nature, unsecured, interest-free and had no fixed terms of repayment. The balances with shareholders were fully settled during the year ended 31 December 2013.

The amounts due to directors were non-trade in nature, unsecured, interest-free and fully settled during the year ended 31 December 2012.

25. INTEREST-BEARING BANK BORROWINGS

Group

	Contractual interest rate (%)	Maturity	HK$'000
Current			
2011			
Trust receipt loans — secured	3.16 - 5.25	2012	23,995
2012			
Trust receipt loans — secured	3.34 - 5.25	2013	8,276
2013			
Trust receipt loans — secured	2.95 - 3.27	2014	12,875

All bank borrowings are denominated in United States dollars and are repayable within one year subject to a repayable on demand clause in the facility letters.

At 31 December 2011, 2012 and 2013, the Group's bank loans were secured by personal guarantees given by the Controlling Shareholders, corporate guarantees given by the Group's subsidiaries and a property of the Group located in Hong Kong.

26. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during each of the Track Record Period are as follows:

Group

	Depreciation allowance in excess of related depreciation
	HK$'000
At 1 January 2011	293
Deferred tax credited to the statement of profit or loss during the year (note 12)	(278)
At 31 December 2011 and 1 January 2012	15
Deferred tax charged to the statement of profit or loss during the year (note 12)	10
At 31 December 2012 and 1 January 2013	25
Deferred tax charged to the statement of profit or loss during the year (note 12)	9
At 31 December 2013	34

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by a subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2011, 2012 and 2013, no deferred tax has been recognised for withholding taxes as the Group's subsidiaries established in Mainland China has been dormant and loss-making for some time.

The Group had tax losses arising in Hong Kong of HK$8,727,000, HK$11,750,000 and HK$7,734,000 as at 31 December 2011, 2012 and 2013, respectively, subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in the Mainland China of nil, HK$4,637,000 and HK$6,647,000 as at 31 December 2011, 2012 and 2013, respectively, subject to the agreement by relevant tax authority, that will expire in five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

27. PROVISION

In 2010, the Group decided to restructure its operation in Mainland China and to close its office in Shanghai ("Yibao (Shanghai)") and the only manufacturing factory in Shenzhen (the "Contract

Processing Factory"), the PRC. The provision for restructuring relates primarily to expected restructuring costs to be incurred for closure of Yibao (Shanghai) and Contract Processing Factory. The restructuring was completed in 2012 and thereafter, the Group ceased its operation of manufacturing of apparel products and focused the Group's resources primarily on provision of apparel supply chain management services.

The movements in provision during each of the Track Record Period are as follows:

Group

	Provision for restructuring
	HK$'000
At 1 January 2011	5,299
Amount utilised	(277)
Exchange realignment	7
At 31 December 2011 and at 1 January 2012	5,029
Amount utilised	(5,029)
At 31 December 2012 and at 31 December 2013	—

28. SHARE CAPITAL

The Company is a limited liability incorporated in the Cayman Islands on 30 September 2013 with an initial authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each.

There was no authorised and issued capital as at 31 December 2011 and 2012 since the Company has not yet been incorporated.

On the date of incorporation, one ordinary share of HK$0.01 was issued and allotted by the Company.

Company

	31 December 2013
Issued and fully paid:	
1 ordinary share of HK$0.01	HK$0.01

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for each of the Track Record Period are presented in the combined statements of changes in equity of the Financial Information.

(i) Legal reserve

The legal reserve represents the transfer of the profit generated from a subsidiary incorporated in Macao from retained profits to the legal reserve in accordance with article

377 of the Macao Commercial Code until the legal reserve balance reaches half of the capital of the relevant subsidiary. This legal reserve is not distributable.

(ii) Merger reserve

The merger reserve represents the aggregate of the nominal value of the paid-up capital of the subsidiaries acquired pursuant to the Reorganisation set out in note 2.1 of Section II above.

(iii) Capital reserve

The capital reserve represents capital contribution from the Controlling Shareholders.

(b) Company

	Accumulated loss
	HK$'000
At the date of incorporation	—
Loss and total comprehensive loss for the period	137
At 31 December 2013	137

30. NOTES TO THE COMBINED STATEMENTS' OF CASH FLOWS

During the Track Record Period, the Group had the following major non-cash transactions:

(a) During the year ended 31 December 2012, the Group disposed of certain items of machinery and equipment to third-party manufacturers for a total consideration of HK$716,000 which is to be settled by instalments starting from 1 January 2013.

(b) During the years ended 31 December 2011 and 2012, interest incomes of HK$120,000 and HK$120,000, respectively, were settled through the current accounts between a related company and the Group.

(c) During the years ended 31 December 2012 and 2013, interim dividends of HK$29,400,000 and HK$70,491,000, respectively, were settled through the current accounts between the Controlling Shareholders and the Group.

(d) During the year ended 31 December 2013, amounts due from related companies of HK$10,156,000 and an amount due to a related company of HK$611,000 were settled through the current accounts between the Controlling Shareholders and the Group pursuant to the Net-off Agreement.

31. CONTINGENT LIABILITIES

Hanbo Enterprises Limited is currently a defendant in a breach of contract claim by a fabric supplier, an independent third party. The directors of the Company, based on the advice from the Group's legal adviser, believe that the Group has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

In addition, pursuant to the deed of indemnity dated 20 June 2014, each of the Controlling Shareholders has agreed to indemnify the Group on a joint and several basis, against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by the Group as a result

of any litigation, arbitration and/or legal proceeding against any member of the Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of the Group prior to the **[REDACTED]**.

32. PLEDGE OF ASSETS

Details of the Group's bank borrowings, which are secured by the assets of the Group, are included in notes 16 and 25 of Section II to the Financial Information.

33. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office premises and staff quarter under operating lease arrangements. The leases are negotiated for terms ranging from one to ten years.

At the end of each of the Track Record Period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	1,523	635	1,146
In the second to fifth years, inclusive	—	2	2,743
	1,523	637	3,889

34. COMMITMENTS

In addition to the operating lease commitment detailed in note 33 of Section II above, the Group had the following capital commitments at the end of each of the Track Record Period:

Group

	31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Contracted, but not provided for:			
Capital contributions payable to a subsidiary	—	7,739	741
Plant and machinery	—	—	960
	—	7,739	1,701

At the end of each of the Track Record Period, the Company did not have any significant commitments.

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed in notes 24, 25, 30 and 31 of Section II to the Financial Information, the Group had the following significant transactions with related parties during each of the Track Record Period:

Group

	Notes	Year ended 31 December		
		2011	2012	2013
		HK$'000	*HK$'000*	*HK$'000*
Interest income receivable from Herotime Shenzhen	(i)	120	120	—
Sales of apparel products to Herotime Shenzhen	(ii)	1,200	266	—
Rental expenses paid to Action Win Industries Limited ("Action Win")	(iii)	324	324	324
Brokerage fee paid to Mars Securities Company Limited ("Mars Securities")	(iv)	19	57	82
Dividends to the then shareholders	(v)	—	29,400	70,491

Notes:

(i) The interest income received from Herotime Shenzhen related a loan advanced thereto. Details of which, including terms, are set out in note 24 of Section II to the Financial Information.

(ii) Sales of apparel products to Herotime Shenzhen were charged at prices mutually agreed by both parties.

(iii) Rental expenses were paid to Action Win, which was controlled by Mr. Liu Ying Yin, James, for a lease of office premises located in Hong Kong and were charged at a monthly rental of HK$27,000.

(iv) Brokerage fee was paid to Mars Securities, which was controlled by Mr. Liu Ying Yin, James, for the brokerage services rendered to the Group in respect of security transactions carried out during respective years.

(v) Dividends were declared and paid to the then shareholders through the current accounts with the Controlling Shareholders during respective years. Further details of dividends are set out in note 13 of Section II to the Financial Information.

(b) Other transactions with related parties

During the year ended 31 December 2011, consultancy fees were charged by to the following shareholders and key management personnel of the Group for their consultancy services rendered to the Group:

	31 December 2011
	HK$'000
Controlling Shareholders	
Mr. Liu Ying Yin, James	1,275
Mr. Cheng Lap Yin	720
	1,995
Directors	
Mr. Yu Yuen Mau, Banny	600
Mr. Liu Chung Tong	300
Mr. Kao Lap Shing	170
	1,070
Total	3,065

No respective consultancy services were rendered to the Group during the years ended 31 December 2012 and 2013.

(c) Commitment with a related party

The Group entered into an operating lease arrangement as lessee with a company controlled by Mr. Liu Ying Yin, James for a lease term of ten years, subject to a one-month termination notice. The total amount of rental expense for each of the Track Record Period is disclosed in note 35(a)(iii) of Section II to the Financial Information.

(d) Outstanding balances with related parties

Other than balances with related companies, shareholders and directors as disclosed in note 24 of Section II to the Financial Information, the Group had no outstanding balances with related parties as at the end of each of the Track Record Period.

(e) Compensation of key management personnel of the Group

	Year ended 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Short term employee benefits	2,327	2,317	2,423
Post-employment benefits	48	55	60
Total compensation paid to key management personnel	2,375	2,372	2,483

Further details of directors' emoluments are included in note 10 of Section II to the Financial Information.

The related party transactions in respect of items (a)(i), (a)(ii), (a)(iii), (a)(iv) and (b) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules if they continue after the **[REDACTED]**.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Track Record Period are as follows:

Group

31 December 2011

Financial assets

	Loans and receivables	Financial assets at fair value through profit or loss	Total
	HK$'000	*HK$'000*	*HK$'000*
Trade and bills receivables	77,826	—	77,826
Financial assets included in prepayments, deposits and other receivables	48,943	—	48,943
Equity investments at fair value through profit or loss	—	3,860	3,860
Due from related companies	9,841	—	9,841
Due from shareholders	25,918	—	25,918
Cash and cash equivalents	87,393	—	87,393
	249,921	3,860	253,781

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Trade and bills payables	40,435
Other payables	2,465
Due to a related company	611
Due to shareholders	48,092
Due to directors	1,070
Interest-bearing bank borrowings	23,995
	116,668

Group

31 December 2012

Financial assets

	Loans and receivables	Financial assets at fair value through profit or loss	Total
	HK$'000	*HK$'000*	*HK$'000*
Trade and bills receivables	59,279	—	59,279
Financial assets included in prepayments, deposits and other receivables	63,844	—	63,844
Equity investments at fair value through profit or loss	—	21,595	21,595
Due from related companies	10,156	—	10,156
Due from shareholders	19,006	—	19,006
Cash and cash equivalents	71,474	—	71,474
	223,759	21,595	245,354

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Trade and bills payables	43,313
Other payables	1,328
Due to a related company	611
Due to shareholders	51,618
Interest-bearing bank borrowings	8,276
	105,146

Group

31 December 2013

Financial assets

	Loans and receivables
	HK$'000
Trade and bills receivables	66,788
Financial assets included in prepayments, deposits and other receivables	48,747
Cash and cash equivalents	42,384
	157,919

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Trade and bills payables	30,775
Other payables	1,618
Interest-bearing bank borrowings	12,875
	45,268

Company

31 December 2013

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Due to a subsidiary	137

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts			Fair values		
	2011	2012	2013	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets						
Other receivables, non-current portion	—	1,049	775	—	982	761
Equity investments at fair value through profit or loss	3,860	21,595	—	3,860	21,595	—
	3,860	22,644	775	3,860	22,577	761

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade and bills payables, the current portion of financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related companies, shareholders and directors and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of other receivables have been estimated using a discounted cash flow valuation model by discounting the expected future cash flows using rates

currently available for instruments with similar terms, credit risk and remaining maturities. The model incorporates various unobservable inputs including the credit quality of counterparties.

The fair values of listed equity investments are based on quoted market prices.

Fair value hierarchy

The following table illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group

	31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Fair value measurement using quoted prices in active markets (Level 1)			
- Equity investments at fair value through profit or loss	3,860	21,595	—

The Group did not have any financial liabilities measured at fair values as at the end of each of the Track Record Period.

The Company did not have any financial liabilities measured at fair values as at 31 December 2013.

During the Track Record Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Assets for which fair values are disclosed:

Group

	31 December		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Fair value measurement using significant unobservable inputs (Level 3)			
- Other receivables, non-current portion	—	982	761

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, balances with the related companies, shareholders and directors, trade and bills payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The directors review and agree policies for

managing each of these risks and they are summarised below. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 4 of Section II to the Financial Information.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

For United States dollar floating-rate bank borrowings, a 50 basis point increase/decrease in interest rates at 31 December 2011, 2012 and 2013 would have decreased/increased the Group's profit before tax and equity by HK$120,000, HK$41,000 and HK$64,000, respectively.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group has currency exposure as certain subcontracting fees incurred in the Mainland China were denominated in RMB.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of RMB against US$ may have impact on the operating results of the Group.

The Group has not entered into any hedging arrangement as the foreign currency risk is considered not material. The management has monitored the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

The following table demonstrates the sensitivity at the end of each of the Track Record Period to a reasonably possible change in RMB exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in RMB rate	**Increase/ (decrease) in profit before tax**
	%	*HK$'000*
2011		
If US$ weakens against RMB	5	1,059
If US$ strengthens against RMB	(5)	(1,059)
2012		
If US$ weakens against RMB	5	685
If US$ strengthens against RMB	(5)	(685)
2013		
If US$ weakens against RMB	5	246
If US$ strengthens against RMB	(5)	(246)

Credit risk

The trade and bill receivable balances included in the statements of financial position represent the Group's maximum exposure to credit risk in relation to the Group's trade and bills receivables. The

Group has certain concentration of credit risk in relation to trade and bills receivables as the trade and bills receivables due from the Group's largest debtor and the five largest debtors accounted for a material proportion of the Group's trade and bills receivables as at 31 December 2011, 2012 and 2013 as follows:

	2011	2012	2013
	%	%	%
Largest debtor	25.2	22.8	23.9
Five largest debtors	82.3	78.8	81.8

The Group performs ongoing credit evaluations of its customers' financial conditions and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectability of all trade and bills receivables.

With respect to credit risk arising from the other financial assets of the Group, comprising cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, and amounts due from related companies, shareholders and directors, represent the Group's major exposure to the credit risk arising from the default of the counterparties, with a maximum exposure equal to the carrying amount of these financial assets in the statements of financial position. The Group seeks to maintain strict control over its outstanding receivables and has its credit control policy to minimise the credit risks. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by senior management. Accordingly, the Group's exposure to bad debts is not significant.

Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

Group

	2011		
	On demand	Within one year	Total
	HK$'000	*HK$'000*	*HK$'000*
Trade and bills payables	—	40,435	40,435
Other payables	—	2,465	2,465
Due to a related company	611	—	611
Due to shareholders	48,092	—	48,092
Due to directors	1,070	—	1,070
Interest-bearing bank borrowings	—	24,059	24,059
	49,773	66,959	116,732

	2012		
	On demand	Within one year	Total
	HK$'000	*HK$'000*	*HK$'000*
Trade and bills payables	—	43,313	43,313
Other payables	—	1,328	1,328
Due to a related company	611	—	611
Due to shareholders	51,618	—	51,618
Interest-bearing bank borrowings	—	8,299	8,299
	52,229	52,940	105,169

	2013
	Within one year
	HK$'000
Trade and bills payables	30,775
Other payables	1,618
Interest-bearing bank borrowings	12,907
	45,300

The Company's financial liabilities at 31 December 2013 have no fixed terms of repayment.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as held-for-trading equity investments (note 20) as at 31 December 2011, 2012 and 2013. The Group's equity investments are listed on the Stock Exchange and were valued at quoted market prices at the end of each of the Track Record Period.

The Hang Seng Index, at the close of business of the nearest trading day in the year to the end of each of the Track Record Period, and the highest and lowest points during each of the Track Record Period were as follows:

	31 December	High	Low
Year ended 31 December 2011	18,434	24,469	16,170
Year ended 31 December 2012	22,657	22,719	18,056
Year ended 31 December 2013	N/A	N/A	N/A

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of each of the Track Record Period.

Equity price risk

	Carrying amount of the relevant investments	Increase/ (decrease) in profit before tax
	HK$'000	*HK$'000*
2011		
5% increase in fair values	4,053	193
5% decrease in fair values	3,667	(193)
2012		
5% increase in fair values	22,675	1,080
5% decrease in fair values	20,515	(1,080)
2013		
5% increase in fair values	N/A	N/A
5% decrease in fair values	N/A	N/A

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during each of the Track Record Period.

The Group monitors capital on the basis of a gearing ratio. The ratio is calculated by dividing the total debts by total equity attributable to owners of the Company. Total debts are defined to include all borrowings and payables incurred not in the ordinary course of business.

At the end of each of the Track Record Period, all the Group's interest-bearing bank borrowings and payables were incurred in the ordinary course of business. The gearing ratio is nil at the end of each of the Track Record Period.

39. SUBSEQUENT EVENT

Subsequent to the Track Record Period, on 31 March 2014, the Company's subsidiary declared and paid an interim dividend of HK$1,076,475 for the year ending 31 December 2014 to the then shareholders in which the dividend payment was offset against the current account with the Controlling Shareholders.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2013.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The information set out in this appendix does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this document, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set out in Appendix I to this document.

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and the Articles and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 September 2013 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Memorandum and the Articles comprise its constitution.

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 20 June 2014. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and the Articles and to any special rights conferred on the holders of any shares or class of shares, any Share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and the Articles, any Share may be issued on terms that, at the option of the Company or the holder thereof, they are 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 from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) 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 shall be 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 shall be 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.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. 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.

(iii) 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.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) 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, subject to the Articles, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other 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. Subject as otherwise provided by the Articles, 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.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor 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 shall 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 (as defined in the Articles) is materially interested, but this prohibition shall 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.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time 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 shall also be 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 (whether by way of salary, commission, participation in profits or otherwise) 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 (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) 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.

(vii) Retirement, appointment 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) will 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 in every year will 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. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time 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. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

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 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:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the Board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if 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 from time to time 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 shall, 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.

(viii) 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 (present and future) 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.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The Board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. 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.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that 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 thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

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.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively 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, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the Shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new Shares; or

(v) cancel any Shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the Shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing Shares or classes of Shares

Subject to the Companies Law, 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.

The 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.

(e) Special resolution majority required

Pursuant to the Articles, 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 of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95.0%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

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 held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), 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.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the Board.

(h) 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 shall 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 shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

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 the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), 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.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. 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 auditors in accordance with generally accepted auditing standards. The auditors shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditors shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditors should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting of the Company shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95.0%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting of the Company and also all business shall be deemed special that is transacted at an annual general meeting of the Company with the exception of the following, which shall be deemed 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. (20.0%) 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.

(j) 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 Designated Stock Exchange (as defined in the Articles) 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 in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the Share until the name of the transferee is entered in the register of members in respect thereof. The Board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to 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.

Unless the Board otherwise agrees, no Shares on the principal register shall be transferred to any branch register nor may Shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of Shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, 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 newspapers or by any other means in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the Board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for 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 any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, 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.

(n) 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 shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise 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.

(o) Call on Shares and forfeiture of Shares

Subject to the Articles and to the terms of allotment, the Board may from time to time make such calls upon the members in respect of any monies unpaid on the Shares held by them respectively (whether on account of the nominal value of the Shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20.0%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited Share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the Shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20.0%) per annum as the Board determines.

(p) Inspection of register of members

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 Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting of the Company 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.

Save as otherwise provided by the Articles, the quorum for a general meeting of the Company 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.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the 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 law, as summarised in paragraph 3(f) of this Appendix.

(s) 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 shall be 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 shall be 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 shall be 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.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the Shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) 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 COMPANIES LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman 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) 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 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.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

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

Subject to the provisions of the Companies Law, 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 shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own 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

With the exception of section 34 of the Companies Law, there is 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. In addition, section 34 of 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 (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of 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) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, 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 shall 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.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(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 22 October 2013.

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 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 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 will 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.

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 shall 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 (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby 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. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75.0%) 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.

(p) Compulsory acquisition

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. (90.0%) 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.

(q) 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 (Cayman) Limited, 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 "B. 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 COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 30 September 2013. We have established a place of business at Flat A & B, 9/F., Tontex Industrial Building, 2-4 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong and was registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 4 April 2014. Mr. Cheng of Flat 2B, Lung Cheung Court, 33 Broadcast Drive, Kowloon, Hong Kong, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company at the above address.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant law of the Cayman Islands and its constitution which comprises a memorandum and articles of association. A summary of certain relevant provisions of its constitution and certain relevant aspects of the Companies Law is set out in Appendix III to this document.

2. Changes in share capital of our Company

As at the date of incorporation of our Company, its authorised share capital was HK$380,000 divided into 38,000,000 Shares of a par value of HK$0.01 each, of which one Share was allotted and issued as nil paid to the initial subscriber, which was transferred to Happy Zone on the same date as a nil paid Share. Following such transfer, the entire issued share capital of our Company (represented by one nil paid Share) was owned by Happy Zone. On 28 March 2014, Happy Zone paid up in full the nil paid share transferred to it on 30 September 2013. On 20 June 2014, the Shareholders at such time resolved to increase the authorised share capital of our Company from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each.

Immediately following completion of the **[REDACTED]** and the Capitalisation Issue, the authorised share capital of our Company will be HK$10,000,000 divided into 1,000,000,000 Shares, of which 480,000,000 Shares will be issued fully paid or credited as fully paid, and 520,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in "— A. Further information about our Company — 3. Written resolutions of all Shareholders passed on 20 June 2014" in this Appendix, our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this document, there has been no alteration in the share capital of our Company since incorporation.

3. Written resolutions of all Shareholders passed on 20 June 2014

Pursuant to the written resolutions of all Shareholders entitled to vote at general meetings of our Company which were passed on 20 June 2014, among other things:

(a) the authorised share capital of our Company be increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each by the creation of an additional 962,000,000 Shares of HK$0.01 each, all of which shall rank *pari passu* in all respects with existing Shares in issue as at the date of such resolution;

(b) conditional upon (i) the **[REDACTED]** granting the **[REDACTED]** of, and permission to deal in, on the Main Board, the Shares in issue and to be issued as mentioned in this document; and (ii) the obligations of the **[REDACTED]** under the **[REDACTED]** becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) and not

being terminated in accordance with the terms of the **[REDACTED]** or otherwise, in each case on or before such dates as may be specified in the **[REDACTED]**:

(i) our Company approved and adopted the Memorandum and Articles;

(ii) conditional on the share premium account of our Company being credited as a result of the issue of the **[REDACTED]** by our Company pursuant to the **[REDACTED]**, our Directors were authorised to capitalise the sum of up to HK$3,599,999 from the amount standing to the credit of the share premium account of our Company and to apply such amount in paying up in full at par 359,999,900 Shares for allotment and issue to the Shareholders whose names were on the register of members of our Company as at the close of business on the date of this document (or as the respective Shareholders may direct) in the share register of our Company in Hong Kong or the Cayman Islands as our Directors or a committee of Directors may determine so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing Shares in issue but no Shareholder shall be entitled to be allotted or issued any fraction of Share;

(iii) the **[REDACTED]** was approved and our Directors were authorised to approve to allot and issue the Offer Shares on and subject to the terms and conditions stated in this document and in the relevant **[REDACTED]**;

(iv) the rules of the Share Option Scheme were conditionally approved and adopted, and our Directors or any committee thereof established by the Board were authorised, at their sole discretion, to grant options to subscribe for the Shares under the Share Option Scheme and to allot and issue the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take such action as they consider necessary, expedient or desirable to implement the Share Option Scheme;

(v) a general unconditional mandate was given to our Directors to allot, issue and deal with the Shares (otherwise than pursuant to, or in consequence of, the **[REDACTED]**, a rights issue or the exercise of any subscription rights under the Share Option Scheme or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by the Shareholders in general meeting) with an aggregate nominal value of not more than 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the **[REDACTED]** (but excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme);

(vi) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10.0% of the aggregate nominal value of our Company's share capital in issue or to be issued immediately following the completion of the **[REDACTED]** and the Capitalisation Issue;

(vii) the general unconditional mandate as mentioned in paragraph (v) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (vi) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the **[REDACTED]**); and

(viii) each of the general mandates referred to in paragraphs (v) and (vi) above will remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

(ii) the expiration of the period within which our Company is required by any applicable law or the Articles to hold our next annual general meeting; or

(iii) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

4. Reorganisation

The companies comprising our Group underwent a Reorganisation in preparation for the **[REDACTED]** of the Shares on the Main Board of the Stock Exchange. For information relating to the Reorganisation, see "History, Reorganisation and Corporate Structure — Reorganisation".

5. Changes in share capital of the subsidiaries of our Company

Our Company's subsidiaries are referred to in the Accountants' Report of our Company, the text of which is set out in Appendix I to this document. The following alterations in the share capital or registered capital of our subsidiaries have taken place within the two years immediately preceding the date of this document:

Yibao Clothing

On 20 March 2013, the registered capital of Yibao Clothing was increased from HK$6,370,000 to HK$8,870,000.

Except as disclosed in "A. Further information about our Company — 5. Changes in share capital of the subsidiaries of our Company" in this Appendix and in "History, Reorganisation and Corporate Structure — Corporate development", 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 by our Company of our own securities

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this document concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarised below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions of our Company passed on 20 June 2014 by all our Shareholders, a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock

Exchange) with a total nominal value of not more than 10.0% of the aggregate nominal value of our Company's share capital in issue or to be issued immediately following the completion of the **[REDACTED]** and the Capitalisation Issue, such mandate to expire at the earliest of: (i) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; (ii) the expiration of the period within which our Company is required by any applicable law or the Articles to hold our next annual general meeting; or (iii) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting; for details of which see "A. Further information about our Company — 3. Written resolutions of all Shareholders passed on 20 June 2014" in this Appendix.

(ii) Source of funds

Any repurchases of Shares by our Company must be paid out of funds legally available for the purpose in accordance with the Memorandum and Articles, Listing Rules and the Companies Law. We may not repurchase our 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. Any repurchase of Shares by our Company may be made out of funds legally permitted to be utilised in this connection, including profits or share premium of our Company or out of proceeds of a fresh issue of Shares made for that purpose or, if so authorised by the Memorandum and Articles and subject to the provisions of the Companies Law, out of capital. Any premium payable on a repurchase over the par value of the Shares to be purchased must be paid out of profits of our Company or out of our Company's share premium account, or if so authorised by the Memorandum and Articles and subject to the provisions of the Companies Law, out of capital.

(iii) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be repurchased by our Company must be fully-paid up.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this document and taking into account our current working capital position, our Directors consider that, if the repurchase mandate is exercised in full, it might have a material adverse effect on our Company's working capital and/or gearing position as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our Company's working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Company has not made any repurchases of our own securities in the past six months.

No connected person (as defined in the Listing Rules) has notified our Company that he has a present intention to sell the Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this document and are or may be material:

(a) the Deed of Non-competition;

(b) the Deed of Indemnity;

(c) **[REDACTED]**

(d) the share sale and purchase agreement dated 27 March 2014 and made between Mr. Liu YY, Mr. Cheng and Hanbo Enterprises BVI pursuant to which Mr. Liu YY and Mr. Cheng agreed to sell all their shares in Hanbo GSC to Hanbo Enterprises BVI for a total consideration of US$1,500;

(e) the share sale and purchase agreement dated 28 March 2014 and made between Happy Zone, Mr. Liu YY, Mr. Cheng and Hanbo Enterprises BVI pursuant to which (i) Happy Zone and Mr. Cheng agreed to sell all their shares in Goodeed to Hanbo Enterprises BVI for a total consideration of HK$2.00; and (ii) Mr. Liu YY and Mr. Cheng agreed to sell all their shares in Superbo Trading to Hanbo Enterprises BVI for a total consideration of HK$2.00; and

(f) the share sale and purchase agreement dated 17 June 2014 and made between Happy Zone, Mr. Cheng and our Company pursuant to which (i) Happy Zone and Mr. Cheng agreed to sell all their shares in Hanbo Enterprises HK to our Company for a total consideration of HK$2.00; and (ii) Happy Zone and Mr. Cheng agreed to sell all their shares in Hanbo Enterprises BVI to our Company for a total consideration of US$2.00.

2. Intellectual property rights of our Group

Trademark

As at the Latest Practicable Date, members of our Group have registered the following trademark:

Trademark	Place of registration	Class	Registration number	Registration date	Expiry date
	Hong Kong	25, 35	300313451	4 November 2004	3 November 2014

Domain Names

As at the Latest Practicable Date, members of our Group have registered the following domain names:

Registrant	Domain name	Date of registration
Hanbo Enterprises HK	hanbo.com	1 June 1998
Hanbo Enterprises Macao	hanbo-mco.com	18 November 2010
Hanbo Enterprises HK	hanbo.com.hk	25 September 2008

3. Further information about our subsidiaries

(a) Yibao Clothing

Name of company	億寶服裝（深圳）有限公司
Registered address	深圳市鹽田區沙頭角工業路光明傢俬工業大樓六層、七層
Date of establishment	15 June 2012
Economic nature	Limited liability company
Term of business operation	15 June 2012 to 15 June 2032
Registered owner	Hanbo Enterprises HK
Registered capital	HK$8,870,000
Attributable interest to our Group	100.0%
Scope of business	Provision of apparel supply chain management services
Legal representative	Mr. Yu

(b) Hanbo Enterprises HK

Name of company	Hanbo Enterprises Limited (恒寶企業有限公司)
Registered address	Flat A & B, 9/F., Tontex Industrial Building, No. 2-4 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong
Date of incorporation	20 August 1991
Nature of company	Private company
General nature of business	Provision of apparel supply chain management services
Issued share capital	HK$10,000
Registered owner	Our Company
Attributable interest to our Group	100.0%

(c) Hanbo Enterprises BVI

Name of company	Hanbo Enterprises (Holding) Limited
Registered address	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Date of incorporation	29 April 2004
Nature of company	Private company
General nature of business	Investment holding
Issued share capital	US$50,000
Registered owner	Our Company
Attributable interest to our Group	100.0%

(d) Hanbo Enterprises Macao

Name of company	Hanbo Enterprises Limited — Macao Commercial Offshore (恆寶企業有限公司 — 澳門離岸商業服務)
Registered address	Avenida da Praia Grande, No.665, Edificio Great Will, 12 andar A, Macau
Date of incorporation	3 January 2005
Nature of company	Private company
General nature of business	Trading of apparel products
Issued share capital	MOP100,000
Registered owner	Hanbo Enterprises BVI
Attributable interest to our Group	100.0%

(e) Goodeed

Name of company	Goodeed Limited (佳寶集團有限公司)
Registered address	Flat A, 9/F., Tontex Industrial Building, 2-4 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong
Date of incorporation	27 January 1994
Nature of company	Private company
General nature of business	Trading of apparel products
Issued share capital	HK$10,000
Registered owner	Hanbo Enterprises BVI
Attributable interest to our Group	100.0%

(f) Superbo Trading

Name of company	Superbo Trading Co. Limited (兆寶貿易有限公司)
Registered address	9/F., Block A, Tontex Industrial Building, No. 2-4 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong
Date of incorporation	25 November 1993
Nature of company	Private company
General nature of business	Provision of management services and property investment
Issued share capital	HK$1,000,000
Registered owner	Hanbo Enterprises BVI
Attributable interest to our Group	100.0%

(g) Hanbo GSC

Name of company	Hanbo GSC (Cambodia) Ltd.
Registered address	No. 45 A_5 A_6 A_7, Russian Boulevard, Prey Trea Village, Sangkat Choam Chau, Khan Porsenchey, Phnom Penh, Kingdom of Cambodia
Date of incorporation	29 June 2012
Nature of company	Single member private limited company
General nature of business	Product development and the coordination and monitoring of garment production
Issued share capital	KHR 4,000,000,000
Registered owner	Hanbo Enterprises BVI
Attributable interest to our Group	100.0%

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Directors' service contracts

Each of our executive Directors, namely, Mr. Liu YY, Mr. Cheng, Mr. Yu, Mr Liu CT and Mr. Kao will enter into a service contract with our Company for an initial fixed term of three years commencing from the **[REDACTED]**, which will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of our independent non-executive Directors, namely, Mr. Lai Kin Keung, Mr. Ng Ming Yuen, John and Mr. Chung Kwok Pan, will be appointed for an initial term of three years commencing from the **[REDACTED]** until terminated by either party giving not less than three months' written notice to the other. The appointments are subject to the provisions of the Articles, the Companies Ordinance, the Companies Law and the Listing Rules with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of our independent non-executive Directors will be entitled to a director's fee of HK$200,000 per annum. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Each of our executive Directors will be entitled to their respective basic salaries set out below.

Name	Annual Basic Salary HK$'000
Mr. Cheng	720
Mr. Liu YY	720
Mr. Yu	648
Mr. Liu CT	660
Mr. Kao	648

All travelling and travel-related expenses and other out-of-pocket expenses reasonably incurred by the executive Directors in the process of discharging their duties on behalf of our Group will be borne by our Company.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors' remuneration

The remuneration of executive Directors are determined based on (i) the relevant Director's experience, responsibility, workload and the time devoted to our Company; and (ii) non-cash benefits which may be provided to our Directors under their remuneration package.

For each of the three years ended 31 December 2013, the aggregate amount of remuneration paid to our Directors was approximately HK$2,375,000, HK$2,372,000 and HK$2,483,000, respectively (including salaries and allowances, discretionary bonuses and pension scheme contributions).

Save as disclosed in this document, no other emoluments have been paid or are payable for each of the three years ended 31 December 2013 by our Company to our Directors.

[REDACTED]

[REDACTED]

2. Disclaimers

Save as disclosed in this document:

(a) our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately after completion of the Capitalisation Issue and the **[REDACTED]** (taking no account of any Shares which may be allotted and issued pursuant to the exercise of options under the Share Option Scheme), have or deemed to 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, directly or indirectly, be interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

(b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company and its associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed;

(c) none of our Directors nor any of the parties listed in "— F. Other information —11. Consents of experts" in this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

(d) none of our Directors nor any of the parties listed in "— F. Other information —11. Consents 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 Company's business;

(e) save in connection with the **[REDACTED]**, none of the parties listed in "— F. Other information — 11. Consents of experts" in this Appendix:

(i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;

(f) none of our Directors or their associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5.0% of our Company's issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

E. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally adopted by a resolution of all the Shareholders passed on 20 June 2014 (the "**Adoption Date**"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose of the Share Option Scheme and eligibility

The purpose of the Share Option Scheme is to motivate the Eligible Persons (as defined below) to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time during the life of the Share Option Scheme to offer the grant of any Option to any Eligible Person as the Board may in its absolute discretion select. The basis of eligibility shall be determined by the Board from time to time.

2. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the **[REDACTED]** subject to the following conditions having been fulfilled:

(a) the approval of all the shareholders of our Company for the adoption of the Share Option Scheme and authorisation be given to our Directors to grant Options and to allot, issue and deal with Shares under the Share Option Scheme;

(b) the approval of the Stock Exchange for the **[REDACTED]** of and permission to deal in, a maximum of 48,000,000 Shares to be allotted and issued pursuant to the exercise of the Options (as defined below) in accordance with the terms and conditions of the Share Option Scheme; and

(c) the obligations of the **[REDACTED]** under the **[REDACTED]**, if any, becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the conditions referred to the above are not satisfied within two calendar months after the Adoption Date:

(i) the Share Option Scheme will forthwith determine;

(ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and

(iv) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

3. Administration

Subject to the fulfillment of the conditions and the termination provisions of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date. Upon the expiry of the Share Option Scheme, no further Options will be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The Share Option Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided in the Share Option Scheme) be final and binding on all parties. The Board may delegate any or all of its powers in relation to the Share Option Scheme to any of its committees.

4. Who may join

The Board may, at its absolute discretion, offer options ("**Options**") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("**Executive**");

(b) any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group;

(c) a director or proposed director (including an independent non-executive director) of any member of our Group;

(d) a direct or indirect shareholder of any member of our Group;

(e) a supplier of goods or services to any member of our Group;

(f) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;

(g) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and

(h) an associate (as defined in the Listing Rules) of any of the persons referred to in paragraphs (a) to (g) above.

(the persons referred above are the "**Eligible Persons**")

5. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10 per cent. of the Shares in issue as at the **[REDACTED]**, (the "**Scheme Mandate Limit**") provided that:

(a) our Company may at any time as the Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10 per cent. of the Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules; and

(b) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules.

Notwithstanding paragraph 5(a) above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30 per cent. of our Company's issued share capital from time to time.

6. Maximum entitlement of each participant

The maximum number of Shares issued and to be issued upon exercise of the Options granted to any one Eligible Person (including exercised and outstanding Options) in any 12-month period shall not exceed 1 per cent. of the Shares in issue from time to time. Where any such further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (as defined in Chapter 1 of the amended Listing Rules which will come into effect on 1 July 2014) (if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

The maximum numbers shall be adjusted, in such manner as the auditors of our Company (the "**Auditors**") shall certify in writing to the Board to be fair and reasonable in the event of any alteration to the capital structure of our Company in accordance with the paragraph headed "23. Alteration" whether by way of capitalisation of profits or reserves, rights issue, consolidation, reclassification, reconstruction, subdivision or reduction of the share capital of our Company but shall not in any event exceed the limits imposed by the Listing Rules.

7. Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years after the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine provided that:

(a) no Options shall be granted under the Share Option Scheme after the termination of the Share Option Scheme in accordance with the terms of the Share Option Scheme;

(b) no Options shall be granted if our Company would be required to issue a document or offer document in respect of such grant under relevant laws or regulations applicable to our Company;

(c) no Options shall be granted if the grant would result in a breach by our Company or our Directors of relevant laws or regulations (including those relating to securities); and

(d) any Option, once issued, shall not be reissued under the Share Option Scheme.

8. Granting Options to Connected Persons

Subject to the terms in the Share Option Scheme, but only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of securities in issue; and

(b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million,

such further grant of Options must be approved by our Shareholders, with such person, his associates and the core connected persons of the Company (both terms as defined in Chapter 1 of the amended Listing Rules which will come into effect on 1 July 2014) abstaining from voting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director, or any of their respective associates.

If in accordance with the terms of the Share Option Scheme, the Board determines to offer the grant of an Option to an Eligible Person, the Board shall forward to the relevant Eligible Person an offer letter specifying:

(i) the Eligible Person's name, address and occupation;

(ii) the offer date;

(iii) the Acceptance Date (as defined below);

(iv) the number of Shares in respect of which the Option is offered;

(v) the subscription price and the manner of payment of the subscription price of the Shares on and in consequence of the exercise of the Option;

(vi) how the expiry date in relation to that Option is ascertained;

(vii) the method of acceptance of the Option which shall, unless the Board otherwise determines, be as set out in "— E. Share Option Scheme — 9. Offer period and number accepted" in this Appendix;

(viii) the method of exercise of the Option which shall, unless the Board otherwise determines, as set out in "— E. Share Option Scheme — 14. Exercise of Option" in this Appendix; and

(ix) such other terms and conditions relating to the offer of the Option which in the opinion of the Board are fair and reasonable but not being inconsistent with the rules and procedures applicable to the Share Option Scheme and requiring the Eligible Person to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme.

9. Offer period and number accepted

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the Grantee together with a remittance in favour of our Company of HK$1.0 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date not later than 30 days after the offer date (the "**Acceptance Date**"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option in the manner as set out in this paragraph 9. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

10. Restriction on the time of grant of Options

The Board shall not grant any Option to any Eligible Person after inside information has come to its knowledge, until such inside information has been announced pursuant to the requirements of the Listing Rules or during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement.

11. Vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in

addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Option in respect of all or some of the Option Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no performance target which need to be achieved by the grantee before the Option can be exercised.

12. Amount payable for Options

The amount payable on acceptance of an Option is HK$1.0.

13. Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days (as defined in the Listing Rules) immediately preceding the offer date.

14. Exercise of Option

(i) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the Option Period in the manner as set out in the Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of a certificate from the auditors of our Company pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the Grantee (or his legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.

(ii) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorised share capital of our Company.

(iv) Subject as hereinafter provided, an Option may be exercised by the grantee at any time during the option period, provided that:

(a) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the

Option up to the Grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine;

(b) in the event that the grantee ceases to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to our Group at the relevant time, the Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period (in respect of an Option, the period commencing immediately after the business day (as defined in the Listing Rules) on which the Option is deemed to be granted and accepted in accordance to the Share Option Scheme (the "**Commencement Date**") and expiring on such date of the expiry of the Option as the Board may in its absolute discretion determine and which shall not exceed 10 years from the Commencement Date but subject to the provisions for early termination thereof contained in the Share Option Scheme (the "**Expiry Date**"));

(c) in the event that the grantee ceases to be an Executive by reason of his transfer of employment to an affiliate company, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined;

(d) in the event that the grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or on the grounds that he has been guilty of serious misconduct, or other culpable reason ("**Culpable Termination**"), the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(e) in the event that the grantee ceases to be an Executive by reason of the termination of his employment by resignation or Culpable Termination, the Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the grantee is notified of the termination of his employment (in the case of Culpable Termination) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such service or notification. A resolution of the Board resolving that the Executive's Option has lapsed pursuant to this Clause 7.3(e) shall be final and conclusive;

(f) if a Grantee being:

(i) an executive Director ceases to be an Executive but remains a non-executive director, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined; or

(ii) a non-executive Director ceases to be a director:

(1) by reason of retiring pursuant to the Articles and who notifies our Company that he is not offering himself for re-election at our Company's annual general meeting ("**Non-Executive Director Retirement**"), his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined; or

(2) for reasons other than Non-Executive Director Retirement, his Option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(g) if:

(i) the Board in its absolute discretion at any time determines that a grantee has ceased to be an Eligible Person; or

(ii) a grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Option or which were the basis on which the Option was granted,

the Option (to the extent not already exercised) shall lapse on the date on which the grantee is notified thereof (in the case of (i)) or on the date on which the grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (ii)) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such notification or the date of such failure, non-satisfaction or non-compliance. In the case of (i), a resolution of the Board resolving that the grantee's Option has lapsed pursuant to this paragraph (g) shall be final and conclusive;

(h) if a grantee (being a corporation):

(i) has a liquidator or receiver appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee; or

(ii) has suspended, ceased or threatened to suspend or cease business; or

(iii) is unable to pay its debts; or

(iv) otherwise becomes insolvent; or

(v) suffers a change in its constitution, management, directors or shareholding which in the opinion of the Board is material; or

(vi) commits a breach of any contract entered into between the grantee or his associate and any member of our Group,

the Option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or on the date of suspension or cessation of business or on

the date when the grantee is deemed to be unable to pay its debts as aforesaid or on the date of notification by our Company that the said change in constitution, management, directors or shareholding is material or on the date of notification by our Company of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving that the grantee's Option has lapsed pursuant to this paragraph (h) by reason of breach of contract or material change in the constitution, management, directors or shareholding as aforesaid shall be final and conclusive;

(i) if a grantee (being an individual):

(i) is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or any other applicable law or has otherwise become insolvent; or

(ii) has made any arrangement or composition with his creditors generally; or

(iii) has been convicted of any criminal offence involving his integrity or honesty; or

(iv) commits a breach of any contract entered into between the grantee or his associate and any member of our Group,

the Option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving that the grantee's Option has lapsed pursuant to this paragraph (i) for breach of contract as aforesaid shall be final and conclusive;

(j) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(k) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:

(i) the Option Period;

(ii) the period of two months from the date of such notice; or

(iii) the date on which such compromise or arrangement is sanctioned by the court,

exercise in whole or in part his Option. Except insofar as exercised in accordance with this paragraph (k), all Options outstanding at the expiry of the relevant period referred to in this paragraph (k) shall lapse. Our Company may thereafter require each grantee to transfer or otherwise deal with the Shares issued on exercise of the Option to place the grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement; and

(l) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

15. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles and the laws of the Cayman Islands from time to time and shall rank pari passu in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date herefore shall be before the allotment date.

A Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

16. Duration

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from 20 June 2014, after which no further options will be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

17. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(a) the expiry of the Option Period;

(b) the expiry of any of the period referred to in paragraph 14(iv) above;

(c) subject to paragraph 14(iv)(l), the date of the commencement of the winding-up of our Company;

(d) there is an unsatisfied judgment, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts;

(e) there are circumstances which entitle any person to take any action, appoint *any* person, commence proceedings or obtain any order of the type mentioned in paragraph 14(iv)(h) or 17(d); or

(f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

18. Reorganisation of capital structure

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, open offer, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(a) the maximum number of Shares subject to the Share Option Scheme; and/or

(b) the aggregate number of Shares subject to the Option so far as unexercised; and/or

(c) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalisation issue), the auditors of our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

(a) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;

(b) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(c) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and

(d) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

The capacity of the auditors of our Company in this paragraph is that of experts and not arbitrators and their certification shall be final and binding on our Company and the grantees in the absence of manifest error. The costs of the auditors of our Company shall be borne by our Company.

If there has been any alteration in the capital structure of our Company as referred to in this paragraph, our Company shall, upon receipt of a notice from the grantee in accordance with paragraph 14(i) inform the grantee of such alteration and shall either inform the grantee of the adjustment to be made pursuant to the certificate of the auditors of our Company obtained by our Company for such purpose, or if no such certificate has yet been obtained, inform the grantee of such fact and instruct the auditors of our Company to issue a certificate in that regard in accordance with this paragraph.

19. Cancellation of Options

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "**Cancellation Date**"):

(a) the grantee commits or permits or attempts to commit or permit a breach of the restriction on transferability of Option or any terms or conditions attached to the grant of the Option;

(b) the grantee makes a written request to the Board for the Option to be cancelled; or

(c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as of the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

20. Share Capital

Subject to paragraph 14(ii), the Board shall at all times set aside for the purposes of the Share Option Scheme, out of the authorised but unissued share capital of our Company, such number of Shares as the Board may from time to time determine to be sufficient to meet subsisting requirements for the exercise of the Option.

21. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

22. Transferability

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered), except with the prior written consent of the Board from time to time. Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

23. Alteration

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting, provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme); (ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee; (iii) any change to the authority of the Board or any person or committee delegated by the Board pursuant to paragraph headed "3. Administration" to administer the day-to-day running of the Share Option Scheme; and (iv) any alteration to the aforesaid termination provisions.

24. Disputes

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares the subject of an Option, the amount of the subscription price or otherwise) shall be referred to the decision of the auditors of our Company who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final and conclusive and binding on all persons who may be affected thereby.

25. Miscellaneous

(a) Our Company shall bear the costs of establishing and administering the Share Option Scheme (including the costs of the auditors of our Company).

(b) A grantee shall be entitled to inspect copies of all notices and other documents sent by our Company to its members at the same time or within a reasonable time of such notices or documents being sent, which shall be made available to him during normal office hours at the principal office of our Company in Hong Kong.

(c) Any notices, documents or other communication between our Company and a grantee shall be in writing and may be sent by prepaid post or by personal delivery to, in the case of our Company, its principal office in Hong Kong and, in the case of the grantee, his address in Hong Kong as notified to our Company from time to time.

(d) Any notice or other communication served:

  (i) by our Company shall be deemed to have been served 24 hours after the same was put in the post or if delivered by hand, when delivered; and

  (ii) by the grantee shall not be deemed to have been received until the same shall have been received by our Company.

(e) All allotments and issues of Shares pursuant to the Share Option Scheme shall be subject to any necessary consents under the relevant laws, enactments or regulations for the time being in force in the Cayman Islands or elsewhere and a grantee shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction in order to permit the grant or exercise of his Option. By accepting an offer or exercising his Option, the grantee thereof is deemed to have represented to our Company that he has obtained all such consents. A grantee shall indemnify our Company fully against all claims, demands, liabilities, actions, proceedings, fees, costs and expenses which our Company may suffer or incur (whether alone or jointly with other party or parties) for or in respect of any failure on the part of the grantee to obtain any necessary consent or to pay tax or other liabilities referred therein. Our Company shall not be responsible for any failure

by a grantee to obtain any such consent or for any tax or other liability to which a grantee may become subject as a result of his participation in the Share Option Scheme.

(f) A grantee shall pay all taxes and discharge all other liabilities to which he may become subject as a result of his participation in the Share Option Scheme or the exercise of any Option.

(g) The Share Option Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against our Company directly or indirectly or give rise to any cause of action at law or in equity against our Company.

(h) The Share Option Scheme shall not form part of any contract of employment between our Company or any of its subsidiary and any Executive and the rights and obligations of any Executive under the terms of his office or employment shall not be affected by his participation in it and the Share Option Scheme shall afford such an Executive no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.

26. Governing law

The Share Option Scheme and all Options granted thereunder shall be governed by and construed in accordance with the laws of Hong Kong.

F. OTHER INFORMATION

1. Deed of Indemnity

Our Controlling Shareholders (the "**Indemnifiers**") have, under the Deed of Indemnity referred to in "— B. Further information about our Business — 1. Summary of the material contracts" in this Appendix, given joint and several indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things.

(a) any taxation falling on any of member of our Group (including any commercial activity tax applicable in Ohio in respect of our Group's gross revenue from the sale of goods that are shipped to Ohio), among other things, (i) resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, alleged to have, received, entered into or occurring (or deemed to be so earned, accrued, received, entered into or occurring) on or before the **[REDACTED]**; and (ii) by reason of any transfer of any property to any member of our Group or to any other person, entity or company made or deemed to have been made on or before the **[REDACTED]**;

(b) all damages, losses and liabilities arising from or in connection with any property claim and/or any other liability claim to the extent that the events leading to such damages, losses and liabilities occurred prior to the **[REDACTED]** and any such damages, losses and liabilities are not paid by the insurer under any relevant insurance policy (if any); and

(c) any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings against any member of our Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of our Group prior to the **[REDACTED]**, including the litigation disclosed in "Business — Legal proceedings"; and

(d) any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by our Group arising from any violation or non-compliance with the laws, rules or regulations

applicable to us prior to the **[REDACTED]**, including all such non-compliance incidents disclosed in "Business — Non-compliance incidents".

The Indemnifiers will however, not be liable under the Deed of Indemnity for taxation claim to the extent that:

(a) provision, reserve or allowance has been made for such taxation claim in the audited accounts of any member of our Group for each of the three years ended 31 December 2013;

(b) the taxation falling on any member of our Group on or after the **[REDACTED]** except liability for such taxation which would not have arisen but for any act or omission of, or transaction voluntarily effected by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) prior to the **[REDACTED]** without the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the **[REDACTED]**; or

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the **[REDACTED]**; or

(iii) consisting of any of the members of our Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation on or before the **[REDACTED]**; or

(c) such taxation liability is discharged by another person who is not a member of our Group and that no member of our Group is required to reimburse such person in respect of the discharge of such taxation liability;

(d) any provision or reserve made for taxation in the audited accounts of any member of our Group for each of the three years ended 31 December 2013 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the liability of the Indemnifiers under the Deed of Indemnity in respect of taxation shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excessive reserve shall only be applied to reduce the liability of the Indemnifiers under the Deed of Indemnity as aforesaid and none of the members of our Group shall in any circumstances be liable to pay the Indemnifiers any such excess;

(e) the taxation liability arises in the ordinary course of business of our Group after 31 December 2013 up to and including the **[REDACTED]**; or

(f) such claim arises or is incurred as a consequence of any retrospective changes in law or practice coming into effect after the **[REDACTED]** or such claim arises or is increased by an increase in rates in taxation after the **[REDACTED]** with retrospective effect.

2. Litigation

Save as disclosed in this document, as at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or

threatened by or against our Company, that would have a material adverse effect on our results of operations or financial condition.

3. Preliminary expenses

Our Company's estimated preliminary expenses are approximately HK$38,405 and are payable by our Company.

4. Promoter

There are no promoters of our Company.

[REDACTED]

6. No material adverse change

Save as disclosed in "Financial Information — No material adverse change", our Directors confirm that there has been no material adverse change in their financial or trading position or prospects since 31 December 2013 (being the date to which our Company's latest audited combined financial statements were made up).

7. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

8. Estate duty

Our Directors have been advised that no material liability for estate duty would be likely to fall upon any member of our Group.

9. Miscellaneous

Save as disclosed in this document, within the two years immediately preceding the date of this document,

(a) no share or loan capital of our Company or any of our subsidiaries has been issued or proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(d) there have been no interruptions in our business that may have or have had a significant effect on our financial position in the last 12 months;

(e) no commissions, discounts, brokerage or other special terms have been granted within the two years immediately preceding the date of this document in connection with the issue or sale of any shares or loan capital of any member of our Group;

(f) no commission has been paid or payable (except commissions to the **[REDACTED]**) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;

(g) 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 is being or proposed to be sought; and

(h) our Company has no outstanding convertible debt securities.

10. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualification
Quam Capital Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Ernst & Young	Certified public accountants
Pinsent Masons	Legal advisers as to Hong Kong law
Guantao Law Firm	Legal advisers as to PRC law
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys–at-law
Chio Tak Wo Law Firm	Legal advisers as to Macao law
DFDL Bangladesh	Legal advisers as to Bangladesh law
Mekong Law Group	Legal advisers as to Cambodia law
Husch Blackwell LLP	Legal advisers as to US law
Ipsos Hong Kong Limited	Independent industry consultants
Roma Appraisals Limited	Independent professional valuer
Ms. Law Wai Shan Deanna	Barrister-at-law in Hong Kong

11. Consents of experts

Each of Quam Capital Limited, Ernst & Young (as certified public accountants), Pinsent Masons, Guantao Law Firm, Conyers Dill & Pearman (Cayman) Limited, Chio Tak Wo Law Firm, DFDL

Bangladesh, Mekong Law Group, Husch Blackwell LLP, Ipsos Hong Kong Limited, Roma Appraisals Limited and Ms. Law Wai Shan Deanna has given and has not withdrawn their respective consent to the issue of this document with the inclusion of her/its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to her/its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

12. Bilingual document

The English language and the 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 document from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) **[REDACTED]**;

(b) the written consents referred to in "F. Other information — 11. Consents of experts" in Appendix IV to this document; and

(c) a copy of each of the material contracts referred to in "B. Further information about our Business — 1. Summary of the material contracts" in Appendix IV to this document.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Pinsent Masons at 50/F, Central Plaza, 18 Harbour Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document (both dates inclusive):

(a) the Memorandum and Articles;

(b) the Accountants' Report prepared by Ernst & Young, the text of which is set out in Appendix I to this document;

(c) the audited combined financial statements of our Company and the companies now comprising our Group for the three years ended 31 December 2013;

(d) the report prepared by Ernst & Young relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this document;

(e) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this document;

(f) the Companies Law;

(g) the material contracts referred to in "B. Further information about our Business — 1. Summary of the material contracts" in Appendix IV to this document;

(h) the written consents referred to in "F. Other information — 11. Consents of experts" in Appendix IV to this document;

(i) the service contracts and letters of appointment referred to in "C. Further information about our Directors — 1. Directors' service contracts" in Appendix IV to this document;

(j) the Hong Kong legal opinion dated 30 June 2014 and issued by Pinsent Masons in respect of our general matters;

(k) the PRC legal opinions dated 30 June 2014 and issued by Guantao Law Firm in respect of our general matters and property interests;

(l) the Macao legal opinions dated 30 June 2014 and issued by Chio Tak Wo Law Firm in respect of our general matters and property interests;

(m) the Bangladesh legal opinions dated 30 June 2014 and issued by DFDL Bangladesh in respect of our general matters and property interests;

(n) the Cambodia legal opinion dated 30 June 2014 and issued by Mekong Law Group in respect of our general matters and property interests;

(o) the US legal opinions dated 30 June 2014 and issued by Husch Blackwell LLP in respect of our general matters;

(p) the industry report dated 20 June 2014 prepared by Ipsos Hong Kong Limited referred to in "Industry Overview";

(q) the rent opinion reports dated 20 June 2014 prepared by Roma Appraisals Limited in respect of the continuing connected transactions of the Group;

(r) the legal opinion issued by Ms. Law Wai Shan Deanna; and

(s) the rules of the Share Option Scheme.