



SPEED APPAREL HOLDING LIMITED **尚捷集團控股有限公司**

(incorporated in the Cayman Islands with limited liability)

Stock code: 8183

Share Offer

Sponsor

MESSIS  **大有融資**

Bookrunner



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

IMPORTANT

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



SPEED APPAREL HOLDING LIMITED

尚捷集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

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

Number of Offer Shares : 125,000,000 Offer Shares
Number of Placing Shares : 112,500,000 Shares (subject to reallocation)
Number of Public Offer Shares : 12,500,000 Shares (subject to reallocation)
Offer Price : Not more than HK\$0.64 per Offer Share and
expected to be not less than HK\$0.40 per Offer
Share plus brokerage of 1%, SFC transaction
levy of 0.0027% and Stock Exchange trading
fee of 0.005% (payable in full on application in
Hong Kong dollars and subject to refund)
Nominal value : HK\$0.01 per Share
Stock code : 8183

Sponsor

MESSIS  大有融資

Bookrunner



Joint Lead Managers



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

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

The Offer Price is expected to be determined by the Price Determination Agreement between the Bookrunner (for itself and on behalf of the Underwriters) and the Company on or about Tuesday, 23 May 2017 or such later date as may be agreed between the parties. If, for any reason, the Bookrunner (for itself and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by that date or such later date as agreed by the Company and the Bookrunner (for itself and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse. The Offer Price will not be more than HK\$0.64 per Offer Share and expected to be not less than HK\$0.40 per Offer Share, unless otherwise announced. The Bookrunner (for itself and on behalf of the Underwriters) may, with the consent of the Company, reduce the indicative Offer Price range below that as stated in this prospectus at any time prior to the Price Determination Date. In such a case, notice of the reduction in the indicative Offer Price range will be available on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.speedapparel.com.hk.

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

Prospective investors of the Offer Shares should note that the obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Bookrunner (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth under the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Bookrunner (for itself and on behalf of the Underwriters) terminate its obligations under the Underwriting Agreements, the Share Offer will not proceed and will lapse. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus.

16 May 2017

CHARACTERISTICS OF GEM

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

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

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

EXPECTED TIMETABLE

If there is any change in the following expected timetable, the Group will issue an announcement to be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.speedapparel.com.hk.

2017 (Note 1)

Public Offer commences and **WHITE** and

YELLOW Application Forms available from 9:00 a.m. on Tuesday, 16 May

Latest time to complete electronic applications under

HK eIPO WHITE Form service through

the designated website www.hkeipo.hk

(Notes 2, 3 and 4). 11:30 a.m. on Friday, 19 May

Application lists open (Note 2) 11:45 a.m. on Friday, 19 May

Latest time for lodging **WHITE** and **YELLOW**

Application Forms and giving **electronic**

application instructions to HKSCC (Notes 3 and 5) 12:00 noon on Friday, 19 May

Latest time for completing payment of **HK eIPO White Form**

applications by effecting internet banking transfer(s)

or PPS payment transfer(s) 12:00 noon on Friday, 19 May

Application lists close (Note 2) 12:00 noon on Friday, 19 May

Expected Price Determination Date (Note 6) Tuesday, 23 May

Announcement of the final Offer Price and the indication of the level of interest

under the Placing, the level of applications under

the Public Offer and the basis of allotment of

the Public Offer Shares to be published on the website of

the Stock Exchange at www.hkexnews.hk and the website of

the Company at www.speedapparel.com.hk Monday, 29 May

Results of allocations in the Public Offer (with successful

applications' identification document numbers, where

appropriate) will be available through a variety of channels

as described in the section headed "How to apply for

Public Offer Shares — 11. Publication of results"

in this prospectus Monday, 29 May

Results of allocations in the Public Offer to be available

at www.tricor.com.hk/ipo/result with a "search by ID Number/

Business Registration Number" function Monday, 29 May

EXPECTED TIMETABLE

Despatch/collection of share certificates of the Offer

Shares or deposit of share certificates of the Offer Shares
into CCASS in respect of wholly or partially successful
applications under the Public Offer (*Note 7*) Monday, 29 May

Despatch of **HK eIPO White Form** e-Auto Refund

payment instructions/refund cheques in respect of
wholly successful (in the event that the final Offer Price
is less than initial price per Public Offer Share payable
on application) and wholly or partially unsuccessful
applications pursuant to the Public Offer (*Note 8*) Monday, 29 May

Dealings in the Shares on GEM to commence..... 9:00 a.m. on Wednesday, 31 May

Notes:

1. All times and dates refer to Hong Kong local time and date. If there is any change to the above expected timetable, the Company will make a separate announcement to inform investors accordingly. Details of the structure of the Placing, including its conditions and grounds for termination, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 19 May 2017, the application lists will not open on that day. Further information is set out in the section headed “How to apply for Public Offer Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus.
3. Applicants will not be permitted to submit applications through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If applicants have already submitted applications and obtained a payment reference number from the designated website prior to 11:30 a.m., they will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
4. Applicants who apply for Public Offer Shares through the **HK eIPO White Form** service should refer to the section headed “How to apply for Public Offer Shares” in this prospectus.
5. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
6. The Price Determination Date is expected to be on or about Tuesday, 23 May 2017. If, for any reason, the Offer Price is not agreed on or before Friday, 26 May 2017 between the Company and the Bookrunner (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse accordingly.
7. Applicants who apply on **WHITE** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all information required by their Application Forms may collect refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 29 May 2017. Identification and (where applicable) authorisation documents acceptable to Tricor Investor Services Limited must be produced at the time of collection.

EXPECTED TIMETABLE

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all information required by their Application Forms may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms is the same as that for the **WHITE** Application Form applicants.

8. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly successful (in the event that the final Offer Price is less than initial price per Public Offer Share payable on application) and wholly or partially unsuccessful application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

For further details of the structure of the Share Offer, including its conditions, please refer to the section headed "Structure and conditions of the Share Offer" in this prospectus.

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You should rely only on the information contained in this prospectus to make your investment decision. The Company, the Sponsor, the Bookrunner, the Joint Lead Managers and the Underwriters have not authorised any persons to provide you with information that is different from what is contained in this prospectus. Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorised by the Company, the Sponsor, the Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors or affiliates of any of them, or any other persons or parties involved in the Share Offer. The contents on the Company's website at www.speedapparel.com.hk do not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

BUSINESS OVERVIEW

The Group is an apparel supply chain management services provider. Headquartered in Hong Kong, the Group principally sells knitwear products predominately in the Japan market. The Group provides one-stop apparel supply chain management solutions for its customers ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and logistics services. The Group's customers are mainly owners or sourcing agents of apparel retail brands based in Japan, which products are marketed and sold under their own brands. Mr. Chan, an executive Director, the chairman of the Board and the chief executive officer of the Company, has over 25 years of experience in apparel market and was dispatched to Japan from March 1993 to February 1994 before joining the Group. Mr. Chan together with some of the Group's senior management and merchandising team members are proficient in or have knowledge of Japanese, which enables the Group to communicate well with the customers and retail brand owners from Japan.

During the Track Record Period, the Group's revenue was mainly derived from the sales of knitwear products such as pullovers, cardigans, vests and skirts with the provision of apparel supply chain management services to its customers. Majority of the Group's products were sold to customers in Japan, amounted to approximately HK\$367.3 million, HK\$390.8 million and HK\$288.9 million for each of the Track Record Period, which accounted for approximately 92.3%, 89.8% and 92.7% of the Group's total revenue, respectively. The Group does not possess its own labels. All the Group's knitwear products are manufactured in accordance with the specifications and requirements set out by the Group's customers in the sales orders, some designs of which are recommended or inspired by the Group.

Through collaboration with its customers, the Group leverages its extensive knitwear fashion exposure and experience to accommodate their needs (including design preferences, knitwear styles and application of materials) in view of market trends. At the start of two main fashion seasons (i.e. spring/summer and autumn/winter) and from time to time, the Group will in-advance provide and recommend new product designs and inspirations to its customers based on the upcoming fashion trends through presentations and face-to-face meetings. During the Track Record Period, the design and promotion department formulated or developed over 100 new knitwear designs in each main fashion season. According to the feedback from the customers, the Group then modifies the product design and specifications in respect of the colour tone, selection of raw materials and styling. Alternatively, the customers may provide their own designs to the Group. As part of the apparel

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supply chain management services, the Group suggests types of yarn to be used in the knitwear designs provided by the Group or the customers' own designs. The Group also provides the products samples, which are produced by the third-party manufacturers, for the customers' consideration. The purchase orders are placed in bulk once all the production details including but not limited to the production schedule, production specifications and other specific requirements are confirmed by the customers.

During the Track Record Period, all of the knitwear products were produced by the third-party manufacturers engaged by the Group. The Group has established relationships with a number of third-party manufacturers and implemented quality control procedures throughout the production process. The Group's merchandising department closely follows up with and provides technical advice to the third-party manufacturers at various stages of the production process. To ensure that the quality of the knitwear products conforms to the customers' specification, final quality inspection is performed by the third-party inspection centre before packaging for delivery. The Group also manages the logistic arrangements of finished knitwear products from third-party manufacturers to customers.

The Group's knitwear products can be divided into two categories, namely womenswear and menswear. During the Track Record Period, the Group's revenue was mainly derived from the sales of womenswear, representing approximately 90.6%, 83.5% and 77.9% of the Group's total revenue respectively. The following tables set out (i) a breakdown of the Group's revenue; (ii) the total sales quantities; and (iii) the average selling prices per unit of finished product sold by the Group to its customers during the Track Record Period by categories:

Revenue

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Womenswear	360,390	90.6	363,294	83.5	206,459	78.5	242,803	77.9
Menswear	37,578	9.4	71,912	16.5	56,490	21.5	68,822	22.1
	<u>397,968</u>	<u>100.0</u>	<u>435,206</u>	<u>100.0</u>	<u>262,949</u>	<u>100.0</u>	<u>311,625</u>	<u>100.0</u>

SUMMARY

Sales volume

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	<i>Units sold</i>		<i>Units sold</i>		<i>Units sold</i>		<i>Units sold</i>	
	<i>('000)</i>	%	<i>('000)</i>	%	<i>('000)</i>	%	<i>('000)</i>	%
					<i>(unaudited)</i>			
Womenswear	7,179	95.4	7,010	83.9	3,928	77.9	4,162	77.8
Menswear	343	4.6	1,342	16.1	1,114	22.1	1,188	22.2
	<u>7,522</u>	<u>100.0</u>	<u>8,352</u>	<u>100.0</u>	<u>5,042</u>	<u>100.0</u>	<u>5,350</u>	<u>100.0</u>

Average selling price

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	<i>Average selling price</i>		<i>Average selling price</i>		<i>Average selling price</i>		<i>Average selling price</i>	
	<i>Price range</i>	<i>(Note)</i>	<i>Price range</i>	<i>(Note)</i>	<i>Price range</i>	<i>(Note)</i>	<i>Price range</i>	<i>(Note)</i>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
					<i>(unaudited)</i>			
Womenswear	30.8–326.0	50.2	21.8–378.3	51.8	21.8–282.0	52.6	32.8–922.7	58.3
Menswear	41.3–655.2	109.7	36.3–499.2	53.6	36.3–499.2	50.7	39.0–397.8	58.0
Total average selling price		<u>52.9</u>		<u>52.1</u>		<u>52.2</u>		<u>58.2</u>

Note: The average selling price represents the revenue for the year/period divided by the total sales quantities for that year/period.

During the Track Record Period, the Group's revenue amounted to approximately HK\$398.0 million, HK\$435.2 million and HK\$311.6 million, respectively. The sales volume of the Group's products increased by approximately 11.0% for the year ended 31 March 2016, which was in line with the increase in the Group's revenue for the respective corresponding period while the average selling price of the Group's products remained relatively stable for each of the year ended 31 March 2015 and 2016. The increase in sale volume of the Group's products by approximately 6.1% was lower than the growth rate of the Group's revenue of approximately 18.5% which was primarily due to the Group obtained more sales orders at a higher selling price as a result of the increased in the average selling price of the Group's products for the eight months ended 30 November 2016 as compared with the corresponding prior period.

SUMMARY

During the Track Record Period, majority of the Group's knitwear products were sold to Japan. The Group's products were also sold to Hong Kong, the PRC, Taiwan, France, the USA, Australia and South Africa. The following table sets out a breakdown of the Group's revenue by geographical segments (according to the locations where the Group's products were sold) during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Japan	367,251	92.3	390,801	89.8	235,865	89.7	288,884	92.7
Hong Kong	22,595	5.7	29,515	6.8	17,904	6.8	14,473	4.6
The PRC	4,533	1.1	10,736	2.5	6,056	2.3	7,076	2.3
Other locations								
(Note)	<u>3,589</u>	<u>0.9</u>	<u>4,154</u>	<u>0.9</u>	<u>3,124</u>	<u>1.2</u>	<u>1,192</u>	<u>0.4</u>
	<u>397,968</u>	<u>100.0</u>	<u>435,206</u>	<u>100.0</u>	<u>262,949</u>	<u>100.0</u>	<u>311,625</u>	<u>100.0</u>

Note: Other locations comprise Taiwan, France, the USA, Australia and South Africa.

CUSTOMERS AND SUPPLIERS

The Group's customers are primarily owners or sourcing agents of apparel retail brands based in Japan, which products are marketed and sold under their own brands. The Group generally takes orders from the brand owners directly and/or from the designated sourcing agents engaged by the apparel retail brands. Based on previous experience in dealing with Japanese customers, the Directors understand that it is the market practice in the Japanese apparel industry for some brand owners to engage sourcing agents as their intermediates to source for apparel, arrange for logistic, liaise with, and make payment to the sellers.

During the Track Record Period, the percentage of revenue contributed by Marubeni, the Group's largest customer, amounted to approximately 43.9%, 50.8% and 50.9% respectively. The gross profit contributed by Marubeni amounted to approximately HK\$15.4 million, HK\$23.6 million and HK\$19.6 million for the two years ended 31 March 2016 and the eight months ended 30 November 2016, representing approximately 24.6%, 36.8% and 43.2% of the Group's total gross profit for the same period, respectively. Marubeni is a designated sourcing agent of a Japanese leisure and casual brand which ranked third in terms of retail value in Japan apparel retail industry in 2015 as stated in the Euromonitor Report. The Group has developed business relationships with its five largest customers for a period ranging from about 5 to 15 years as at the Latest Practicable Date. Although the Directors consider that the Group has established good relationships with the major customers, the customers are not obligated in any way to continue to provide the Group with new business in the future at a level similar to that in the past or at all. Please refer to the section

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headed “Risk factors — The Group relies on several major customers and has not entered into long-term contracts with them. This may materially and adversely affect the Group’s business, prospects, financial condition and results of operations” in this prospectus.

The Group’s suppliers include suppliers of raw material as well as third-party knitwear manufacturers. The Group’s key raw material suppliers are mainly located in the PRC and Hong Kong. During the Track Record Period, the cost of raw materials and consumable used amounted to approximately HK\$90.8 million, HK\$77.7 million and HK\$60.2 million, representing approximately 27.1%, 20.9% and 22.6% of the Group’s total cost of sales, respectively. The Group generally procures and provides raw materials to third-party manufacturers for productions. All of the Group’s knitwear products are produced by third-party manufacturers with manufacturing operations in the PRC and/or Thailand. During the Track Record Period, the subcontracting charges amounted to approximately HK\$238.1 million, HK\$282.8 million and HK\$198.9 million, representing approximately 71.0%, 76.2% and 74.7% of the Group’s total cost of sales, respectively. Purchases from the Group’s top five suppliers for the two years ended 31 March 2016 and the eight months ended 30 November 2016 in aggregate accounted for approximately 65.2%, 71.3% and 76.1% of the Group’s cost of sales, respectively, while purchases from the Group’s largest supplier accounted for approximately 31.7%, 31.0% and 25.6% of the Group’s cost of sales, respectively. For further details in relation to the Group’s suppliers, please refer to the paragraph headed “Business — Suppliers” in this prospectus.

COMPETITIVE LANDSCAPE

According to the Euromonitor Report, the apparel supply chain management industry in Hong Kong is highly competitive and fragmented populated with a large number of firms ranging from multinational companies to smaller specialists and small scale firms. The apparel supply chain management market in Hong Kong is driven by (i) Hong Kong firms’ profound knowledge of and experiences in apparel supply chain management; (ii) Hong Kong’s close relationship with its trading partners; and (iii) industrialisation of other Asian economies. However, the market is also challenged by (i) the fluctuations in the foreign exchange rate of JPY; (ii) the potential increase in consumption tax; and (iii) the increasing popularity of business-to-business commerce sites. For further information regarding the competitive landscape of the industry in which the Group operates, please refer to the section headed “Industry overview” in this prospectus.

COMPETITIVE STRENGTHS

The Directors believe that the success of the Group is attributable to, among other things, the following competitive strengths: (i) established business relationships with the Group’s customers; (ii) the provision of one-stop solution services ranging from design, sourcing, production management and logistics; (iii) strong and established product design and development capabilities; and (iv) management team with extensive apparel industry knowledge and experience. Please refer to the section headed “Business — Competitive strengths” in this prospectus for further details.

SUMMARY

FINANCIAL INFORMATION

The table below sets forth selected information and analysis from the consolidated statements of profit or loss and other comprehensive income of the Group:

Results of operations

	For the year ended 31 March		For the eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Revenue	397,968	435,206	262,949	311,625
Gross profit	62,608	64,147	35,737	45,376
Profit before taxation	12,620	15,833	7,835	7,239
Profit for the year/period	10,532	12,466	6,597	4,827
Total comprehensive income for the year/period	10,532	12,467	6,597	4,758

The table sets forth a breakdown of the Group's gross profit and gross profit margin during the Track Record Period by product categories:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	Gross profit margin HK\$'000	(%)	Gross profit margin HK\$'000	(%)	Gross profit margin HK\$'000 (unaudited)	(%)	Gross profit margin HK\$'000	(%)
Womenswear	54,391	15.1	54,806	15.1	29,840	14.5	36,796	15.2
Menswear	8,217	21.9	9,341	13.0	5,897	10.4	8,580	12.5
Overall	62,608	15.7	64,147	14.7	35,737	13.6	45,376	14.6

The Group's revenue increased by approximately 9.3%, or approximately HK\$37.2 million, from approximately HK\$398.0 million for the year ended 31 March 2015 to approximately HK\$435.2 million for the year ended 31 March 2016. The Group's revenue increased by approximately 18.5%, or approximately HK\$48.7 million, from approximately HK\$262.9 million for the eight months ended 30 November 2015 to approximately HK\$311.6 million for the eight months ended 30 November 2016. The increase in the Group's revenue for the year ended 31 March 2016 comparing to the year ended 31 March 2015 was mainly attributable to the increase in sales quantity of the knitwear products. The increase in revenue for the eight months period ended 30

SUMMARY

November 2016 comparing to the corresponding period last year was attributable to the increase in average selling price of the Group's knitwear products. Please refer to the section headed "Financial information" in this prospectus for further explanations.

The Group's gross profit amounted to approximately HK\$62.6 million, HK\$64.1 million and HK\$45.4 million for each of the two years ended 31 March 2016 and the eight months ended 30 November 2016, respectively. The Group's overall gross profit margin was approximately 15.7%, 14.7% and 14.6% for each of the two years ended 31 March 2016 and the eight months ended 30 November 2016, respectively. The decrease in the Group's overall gross profit margin was mainly attributable to the decrease in the gross profit margin of menswear during the Track Record Period as a result of the increase in purchase orders of low-priced products from a major customer which the gross profit margin was lower. The gross profit margin of womenswear remained relatively stable at approximately 15.1%, 15.1% and 15.2% for the two years ended 31 March 2016 and the eight months ended 30 November 2016 respectively.

The profit for the year increased by approximately 19.0% or HK\$2.0 million from approximately HK\$10.5 million for the year ended 31 March 2015 to approximately HK\$12.5 million for the year ended 31 March 2016. The increase was mainly attributable to (i) the increase in revenue from approximately HK\$398.0 million to approximately HK\$435.2 million as a result of the increase in sales quantity of the knitwear products; and (ii) the decrease in selling and distribution expenses from approximately HK\$26.5 million to approximately HK\$22.5 million.

The Group's profit for the period decreased by approximately 27.3% or HK\$1.8 million from approximately HK\$6.6 million for the eight months ended 30 November 2015 to approximately HK\$4.8 million for the eight months ended 30 November 2016. The decrease was mainly due to the Listing expenses incurred of approximately HK\$7.1 million for the eight months ended 30 November 2016 while no such expenses were recognised in the previous corresponding period.

The table below sets forth selected information from the consolidated statements of financial position of the Group:

	As at 31 March		As at
	2015	2016	30 November
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
			<i>HK\$'000</i>
Current assets	82,540	82,248	123,906
Current liabilities	<u>89,188</u>	<u>64,182</u>	<u>101,107</u>
Net current (liabilities) assets	(6,648)	18,066	22,799
Non-current assets	44,370	1,361	1,790
Non-current liabilities	<u>—</u>	<u>55</u>	<u>459</u>
Total equity	<u><u>37,722</u></u>	<u><u>19,372</u></u>	<u><u>24,130</u></u>

SUMMARY

The Group recorded net current liabilities of approximately HK\$6.6 million and net current assets of approximately HK\$18.1 million as at 31 March 2015 and 2016, respectively. The Group recorded net current liabilities position as at 31 March 2015 and this was mainly due to the outstanding bank borrowings and amount due to related parties, which amounted to approximately HK\$44.9 million. The decrease in total equity of the Group from approximately HK\$37.7 million as at 31 March 2015 to approximately HK\$19.4 million as at 31 March 2016 was mainly attributable to the Business Transfer 1 and Business Transfer 2, both of which were completed on 1 February 2016. The total equity of the Group increased from approximately HK\$19.4 million as at 31 March 2016 to approximately HK\$24.1 million as at 30 November 2016 and this was mainly attributable to the increase in bank balances and cash during the period.

The table below sets forth selected information from the consolidated statements of cash flows of the Group:

	Year ended 31 March		For the eight months ended 30 November	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i>
Operating cash flows before movements in working capital	<u>16,670</u>	<u>18,781</u>	<u>10,181</u>	<u>8,205</u>
Net cash from operating activities	28,575	8,509	2,035	14,004
Net cash (used in) from investing activities	(608)	696	(36)	(292)
Net cash (used in) from financing activities	<u>(21,019)</u>	<u>(17,584)</u>	<u>(15,282)</u>	<u>13,046</u>
Net increase (decrease) in cash and cash equivalents	6,948	(8,379)	(13,283)	26,758
Cash and cash equivalents at beginning of the year/period	22,275	29,223	29,223	20,844
Effect of foreign exchange rate changes	<u>—</u>	<u>—</u>	<u>—</u>	<u>(44)</u>
Cash and cash equivalents at end of the year/period	<u>29,223</u>	<u>20,844</u>	<u>15,940</u>	<u>47,558</u>

The cash and cash equivalents, comprising bank balances and cash, decreased from approximately HK\$29.2 million as at 31 March 2015 to approximately HK\$20.8 million as at 31 March 2016. This was mainly attributable to the decrease in net cash from operating activities,

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which was in turn mainly due to the increase in trade and bills receivables. The cash and cash equivalents increased from approximately HK\$20.8 million as at 31 March 2016 to approximately HK\$47.6 million as at 30 November 2016. Such increase was mainly due to the new bank loans of approximately HK\$70.1 million raised during the period.

Key financial ratios

		For the year ended/ As at 31 March		For the eight months ended/ As at 30 November
	Note	2015	2016	2016
Return on total assets	1	8.3%	14.9%	3.8%
Return on equity	2	27.9%	64.4%	20.0%
Current ratio	3	0.9	1.3	1.2
Quick ratio	4	0.5	1.1	1.0
Gearing ratio	5	1.2	0.9	1.3
Net gearing ratio	6	0.2	—	—
Net profit margin	7	2.6%	2.9%	1.6%

Notes:

1. Return on total assets is calculated based on the profit for the year/period divided by the total assets as at the end of the year/period.
2. Return on equity is calculated based on the profit for the year/period divided by total equity at the end of the year/period.
3. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the respective reporting date.
4. Quick ratio is calculated based on the difference between the total current assets and inventories divided by the total current liabilities at the end of the respective reporting date.
5. Gearing ratio is calculated based on the total loans and borrowings (including amounts due to related parties, bank borrowings due within one year and obligation under finance lease) divided by total equity at the end of the respective reporting date.
6. Net gearing ratio is calculated based on the total loans and borrowings (including amounts due to related parties, bank borrowings due within one year and obligation under finance lease) less bank balances and cash and pledged bank deposit divided by total equity at the respective reporting date.
7. Net profit margin is calculated by the profit for the year/period divided by the revenue for the respective year/period.

Please refer to the section headed “Financial information — Key financial ratios” in this prospectus for further details.

SUMMARY

HISTORICAL NON-COMPLIANCE INCIDENTS

The Directors confirm that the Group has complied with all applicable laws and regulations in all material respects in Hong Kong (being the principal jurisdiction in which the Group operates) during the Track Record Period and up to the Latest Practicable Date.

SHAREHOLDING OF THE COMPANY

Immediately following completion of the Share Offer and the Capitalisation Issue and not taking into account any Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, the Company will be owned as to (i) 75% by Speed Development, which is a company incorporated in the BVI with limited liability whose issued share capital is wholly-owned by Mr. Chan; and (ii) 25% by public Shareholders. Mr. Chan is an executive Director, the chairman of the Board, the chief executive officer and the compliance officer of the Company. Mr. Chan does not, directly or indirectly, carry on, participate or engage in, nor is he otherwise interested in, any other business which is or may be in competition with the business of the Group. Please refer to the section headed “Directors and senior management — Directors — Executive Directors” in this prospectus for more information of Mr. Chan.

RISK FACTORS

There are certain risks involved in the Group’s operations which are beyond its control. In particular, the Group relies on several major customers and the Group does not enter into any long-term contracts with them. The Group also faces business risks such as (i) any disruption in the relationships with the third-party manufacturers or their manufacturing operations could adversely affect the Group’s business; (ii) there are time lags between making payments to the Group’s suppliers and receiving payments from its customers. Failure to handle this cash flow mismatch may adversely affect the Group’s cash flow and financial position; (iii) the Group has relatively thin net profit margin and is highly sensitive to any unfavourable change in the cost of sales, selling price and sales volume; (iv) any further decrease in retail sales value and sales volume of Japan apparel retail market may adversely affect the Group’s operating result and performance; and (v) the Group’s performance and profitability may be affected by the fluctuation of exchange rate of JPY. A detailed discussion on risk factors that the Directors believe are particularly relevant to the Group is set out in the section headed “Risk factors” in this prospectus.

RECENT DEVELOPMENTS SUBSEQUENT TO 30 NOVEMBER 2016

During the Track Record Period, the Group sourced and supplied its knitwear products for over 140 Japanese fashion brands and there were approximately 22 customers who contributed to the Group’s revenue. The Group generally takes orders from the brand owners directly and/or from the designated sourcing agents engaged by the apparel retail brands. As at 31 January 2017, the Group had sales orders on hand in total amounts of approximately HK\$67.9 million, of which approximately HK\$39.4 million was placed by Marubeni and approximately HK\$28.5 million was placed by the other existing customers and new fashion brands. Majority of such orders are expected to be delivered to the customers before or around August 2017. The sale volume of the Group amounted to approximately 7,159,000 units of knitwear for the ten months ended 31 January 2017 which represented an increase of approximately 3.8% as compared to approximately

SUMMARY

6,895,000 units of knitwear for the previous corresponding period. The Group recorded a revenue of approximately HK\$407.3 million for the ten months ended 31 January 2017, representing an increase of approximately 12.2% as compared to that of the previous corresponding period. The Group's gross profit amounted to approximately HK\$60.1 million and the overall gross profit margin maintained at approximately 14.7% for the ten months ended 31 January 2017. The average selling price of the Group's knitwear was approximately HK\$56.9 for the ten months ended 31 January 2017. The Directors believe that the growth in both sales volume and revenue was due to the Group's continuous effort in actively pursuing business opportunities through extensive sales and marketing activities.

The Group's administrative expenses increased by approximately 16.6% from approximately HK\$16.3 million for the ten months ended 31 January 2016 to approximately HK\$19.0 million for the ten months ended 31 January 2017. This was primarily due to the increases in audit fee, rent and rates and staff costs and benefits for the ten months ended 31 January 2017. Notwithstanding the Group recorded an increase in unaudited revenue for the ten months ended 31 January 2017, the Directors expect the net profit of the Group for the year ended 31 March 2017 will be significantly affected by the increase in administrative expenses.

The net current assets of the Group as at 31 March 2017 were approximately HK\$24.1 million. The outstanding balance of all amounts due to a Director of approximately HK\$9.3 million has been settled before the Listing. As at 31 March 2017, approximately 98.2% of the outstanding trade and bills receivables as at 30 November 2016 had been subsequently settled and approximately 99.6% of the outstanding trade payables as at 30 November 2016 had been subsequently settled.

The Group recorded revenue, gross profit and administrative expenses of approximately HK\$407.3 million, HK\$60.1 million and HK\$19.0 million for the ten months ended 31 January 2017, respectively, which were extracted from the unaudited condensed consolidated financial statements for the same period prepared by the Directors in accordance with HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants, which have been reviewed by the reporting accountants of the Company in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Directors confirm that the disclosures in relation to updated financial information of the Group for the ten months ended 31 January 2017 do not constitute a profit forecast as governed under Rules 14.29 and 14.30 of the GEM Listing Rules.

Prospective investors should note that the Group's financial information subsequent to the Track Record Period is unaudited and may not reflect the full year results for the year ended 31 March 2017 and may be subject to adjustments based on the audit.

The Directors confirm that save for the administrative expenses mentioned above and the non-recurring Listing expenses, subsequent to the Track Record Period, there have been no material changes in the general economic and market conditions which could have a material adverse impact on the Group's financial or trading position since 30 November 2016 and up to the date of this prospectus.

SUMMARY

BUSINESS STRATEGIES

The Group intends to strengthen its market position in the apparel supply chain management services in Hong Kong by (i) strengthening and diversifying the Group's customers base; (ii) further expanding the Group's product variety to cater for the customers' needs; (iii) enhancing the Group's design and development capabilities and (iv) enhancing the Group's inventory management to strengthen operational efficiency. Further details of the Group's business strategies are set out in the section headed "Business — Business strategies" in this prospectus.

LISTING EXPENSES

The Group expects that the Listing expenses, which is non-recurring in nature, will be amounted to approximately HK\$25.6 million. Out of the total HK\$25.6 million in Listing expenses, the Group has recorded approximately HK\$3.2 million as expense in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016 and approximately HK\$7.1 million for the eight months ended 30 November 2016. The Group expects to further recognise approximately HK\$4.0 million for the remaining four months of the year ended 31 March 2017 and approximately HK\$1.5 million for the year ending 31 March 2018. For the remaining balance of approximately HK\$9.8 million, which is directly attributable to the issue of the Offer Shares is expected to be accounted for as a deduction from equity upon Listing. Accordingly, the financial results of the Group for the year ended 31 March 2017 and the year ending 31 March 2018 will be significantly affected by the estimated expense in relation to the Listing expenses to be recognised, respectively. Such amount of Listing expenses are for reference only and the final amount to be charged to the profit and loss account of the Group for the year ended 31 March 2017 and the year ending 31 March 2018 and the amount to be deducted from the Group's capital is subject to change.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

The Directors believe that the listing of the Shares on GEM will enhance the Group's profile and the net proceeds from the Share Offer will strengthen the financial position and will enable the Group to implement its business plans set out in the section headed "Statement of business objectives and use of proceeds" in this prospectus. Furthermore, a public listing status on the Stock Exchange will offer the Group access to capital market for corporate finance exercise, assist in further business development and strengthen its competitiveness.

SUMMARY

The net proceeds from the Share Offer (based on the Offer Price of HK\$0.52 per Offer Share, being the mid-point of the indicative Offer Price range), after deducting related expenses, are estimated to be approximately HK\$39.4 million. The Directors intend that the net proceeds will be applied as follows:

	From the Latest Practicable Date to 30 September 2017	For the six months ending					Total
		31 March 2018	30 September 2018	31 March 2019	30 September 2019	31 March 2020	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Strengthening and diversifying the Group's customers base	0.80	0.80	0.90	0.95	0.90	0.95	5.30
Further expanding the Group's product mix to cater to the customers' need	1.60	1.30	1.60	2.80	1.60	1.65	10.55
Enhancing the Group's design and development capabilities	0.50	3.12	1.15	1.05	0.95	1.20	7.97
Enhancing the Group's inventory management to strengthen operational efficiency	2.50	2.48	2.60	2.80	3.00	2.20	15.58
	<u>5.40</u>	<u>7.70</u>	<u>6.25</u>	<u>7.60</u>	<u>6.45</u>	<u>6.00</u>	<u>39.40</u>

In the event that the Offer Price is set at a higher or lower level compared to the mid-point of the Offer Price range, the above allocation of the net proceeds from the Share Offer will be adjusted on a pro-rata basis.

DIVIDENDS

Firenze Apparel distributed interim dividends of HK\$7.0 million for the year ended 31 March 2015 to Mr. Chan prior to the Reorganisation. Other than the above, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period or by the Company since its incorporation. The Company currently does not have a fixed dividend policy and may declare dividends by way of cash or by other means that the Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of the Board and depend upon the factors stated in the section headed "Financial information — Dividends" in this prospectus.

SUMMARY

STATISTICS OF THE SHARE OFFER

	Based on the Offer Price of HK\$0.40 per Share	Based on the Offer Price of HK\$0.64 per Share
Market capitalisation at the Offer Price (<i>Note 1</i>)	HK\$200 million	HK\$320 million
Unaudited pro forma adjusted net combined tangible assets per Share (<i>Note 2</i>)	HK\$0.12	HK\$0.18

Notes:

1. The calculation of market capitalisation is based on 500,000,000 Shares expected to be in issue immediately upon completion of the Share Offer and the Capitalisation Issue without taking into account the Shares that may be allotted or issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.
2. The unaudited pro forma adjusted combined net tangible assets per Share has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2017

Estimated consolidated profit attributable to owner of
the Company for the year ended 31 March 2017 (*Note 1*) not less than HK\$5.4 million

Unaudited pro forma estimated earnings per Share
for the year ended 31 March 2017 (*Note 2*) not less than HK\$0.01

Notes:

1. The bases on which the above profit estimate for the year ended 31 March 2017 has been prepared are summarised in Appendix III to this prospectus. The Directors have prepared the estimated consolidated profit attributable to owner of the Company for the year ended 31 March 2017 based on (i) the audited consolidated results of the Group for the eight months ended 30 November 2016; (ii) the unaudited consolidated results of the Group based on the management accounts for the three months ended 28 February 2017; and (iii) an estimate of the consolidated results of the Group for the remaining one month ended 31 March 2017.
2. The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owner of the Company for the year ended 31 March 2017, assuming that a total of 500,000,000 Shares had been in issued during the entire year. The calculation of the estimated earnings per Share does not take into account of any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus.

DEFINITIONS

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

“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s) or, where the context so requires, any of them, relating to the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of the Company conditionally adopted on 8 May 2017 which shall become effective on the Listing Date and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Bookrunner”	Great Roc Capital Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“Business Transfer 1”	the transfer of the Speed Garment Business carried on by and certain assets and liabilities of Speed Apparel to Speed Apparel HK as further described in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus
“Business Transfer 2”	the transfer of the Firenze Garment Business carried on by and certain assets and liabilities of Firenze Apparel to Speed Apparel HK as further described in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus
“Business Transfer Agreement 1”	the agreement for the sale and purchase of the business carried on by Speed Apparel Limited dated 31 December 2015 entered into between Speed Apparel as vendor, Speed Apparel HK as purchaser and Mr. Chan as warrantor in relation to the Business Transfer 1
“Business Transfer Agreement 2”	the agreement for the sale and purchase of the business carried on by Firenze Apparel Limited dated 31 December 2015 entered into between Firenze Apparel as vendor, Speed Apparel HK as purchaser and Mr. Chan as warrantor in relation to the Business Transfer 2

DEFINITIONS

“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 374,991,000 Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of the Company upon completion of the Share Offer referred to in the section headed “Further information about the Company — Written resolutions of the sole Shareholder passed on 23 January 2017 and 8 May 2017” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person permitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Client’s Parent”	the parent company of Marubeni’s Client
“close associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (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

DEFINITIONS

“Company”	Speed Apparel Holding Limited, a company limited by shares incorporated in the Cayman Islands on 19 November 2015
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and in the context of this prospectus, refers to Speed Development and Mr. Chan
“core connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 8 May 2017 executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for its subsidiaries) regarding certain indemnities as more particularly set out in the section headed “Other information — Estate duty, tax and other indemnity” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 8 May 2017 executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for its subsidiaries) regarding the non-competition undertakings as more particularly set out in the section headed “Relationship with the Controlling Shareholders — Non-competition Undertakings” in this prospectus
“Director(s)”	the director(s) of the Company
“Eldex Properties”	the premises at Workshop C and Workshop D on 7th Floor, Eldex Industrial Building, No. 21 Ma Tau Wai Road, Kowloon, Hong Kong
“Encumbrance(s)”	any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect
“Euromonitor”	Euromonitor International Limited, an Independent Third Party, which is a market research company with a focus on industry, country, company and consumer lifestyle research

DEFINITIONS

“Euromonitor Report”	An industry research report issued by Euromonitor as commissioned by the Company as referred in the section headed “Industry overview” in this prospectus
“Firenze Apparel”	Firenze Apparel Limited, a company incorporated in Hong Kong on 18 June 2004 with limited liability whose issued shares are wholly-owned by Mr. Chan
“Firenze Garment Business”	the garment business operated by Firenze Apparel prior to the Reorganisation, which was transferred to Speed Apparel HK on 1 February 2016 in accordance with the terms and conditions of the Business Transfer Agreement 2
“Garment Business”	the selling of apparel products together with the provision of related supply chain management services to its customers carried out by the Group and in the past, carried out by Speed Apparel, Firenze Apparel and Knit World
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Gemstar Property”	the premises of the head office and principal place of business of the Group in Hong Kong at Flat A, 17/F., Gemstar Tower, 23 Man Lok Street, Hung Hom, Kowloon, Hong Kong
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Government”	the Government of Hong Kong
“ GREEN Application Form(s)”	the form(s) of application to be completed by the HK eIPO White Form Service Provider
“Group”	the Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries and the business operated by such subsidiaries together with the Garment Business carried out by predecessors
“ HK eIPO White Form ”	the application for Public Offer Shares to be issued in applicant’s own name by submitting applications online through the designated website of HK eIPO White Form Service Provider at <u>www.hkeipo.hk</u>

DEFINITIONS

“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by the Company, as specified on the designated website of HK eIPO White Form at www.hkeipo.hk
“HKFRSs”	Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong
“Independent Third Party(ies)”	individual(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are independent of and not connected with the Company or its subsidiaries or any of their respective associates within the meaning of the GEM Listing Rules
“Japanese Legal Advisers”	Soga Law Office, the legal advisers to the Company as to Japanese law
“Joint Lead Managers”	the joint lead managers of the Share Offer, whose names are set out under the section headed “Underwriting — Underwriters — Joint Lead Managers” in this prospectus
“Knit World”	Knit World International Limited, a company incorporated in Hong Kong on 20 February 2002 with limited liability and an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation
“Latest Practicable Date”	8 May 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus

DEFINITIONS

“Listing”	the listing and the commencement of dealings of the Shares on GEM
“Listing Date”	the date on which the Shares are listed and dealings in the Shares first commence on GEM, which is expected to be on or about 31 May 2017
“Listing Division”	the Listing Division of the Stock Exchange
“Marubeni”	Marubeni Corporation and its subsidiaries, the largest customer of the Group during the Track Record Period
“Marubeni’s Client”	client of Marubeni
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of the Company adopted on 23 January 2017, as amended from time to time
“Messis Capital” or “Sponsor”	Messis Capital Limited, the sponsor of the Company for the Listing, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Mr. Chan”	Mr. Chan Wing Kai (陳永啟), an executive Director, the chairman of the Board and the chief executive officer of the Company, one of the Controlling Shareholders and the spouse of Ms. Cheung
“Mr. Ng”	Mr. Ng Ming Ho (吳明豪), an executive Director
“Ms. Cheung”	Ms. Cheung Hung (張紅), the spouse of Mr. Chan
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.64 per Offer Share and expected to be not less than HK\$0.40 per Offer Share, such price to be determined as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Offer Shares”	collectively, the Placing Shares and the Public Offer Shares

DEFINITIONS

“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters for and on behalf of the Company for cash at the Offer Price subject to the terms and conditions as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	112,500,000 new Shares being offered at the Offer Price for subscription under the Share Offer subject to the terms and conditions as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriter(s) of the Placing listed in the section headed “Underwriting — Underwriters — Placing Underwriters” in this prospectus
“Placing Underwriting Agreement”	the conditional underwriting and placing agreement relating to the Placing expected to be entered into between the Company, the executive Directors, the Controlling Shareholders, the Sponsor, the Bookrunner and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“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
“PRC” or “China”	the People’s Republic of China, and for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Legal Advisers”	Commerce & Finance Law Offices, the legal advisers to the Company as to PRC law
“Price Determination Agreement”	the agreement to be entered into between the Bookrunner (for itself and on behalf of the Underwriters) and the Company on or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or before Tuesday, 23 May 2017 (or such later date as may be agreed between the Bookrunner (for itself and on behalf of the Underwriters) and the Company) but in any event not later than Friday, 26 May 2017, on which the Offer Price is to be fixed

DEFINITIONS

“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in the section headed “Structure and conditions of the Share Offer” in this prospectus and the Application Forms
“Public Offer Share(s)”	12,500,000 new Shares initially being offered at the Offer Price for subscription in the Public Offer subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer listed in section headed “Underwriting — Underwriters — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement relating to the Public Offer dated 15 May 2017 entered into between the Company, the executive Directors, the Controlling Shareholders, the Sponsor, the Bookrunner and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Quotations”	refers to non-Tender Contracts such as quotations and one-off contracts, details of which are set out under the section headed “Business — Customers — Customer contracts — Quotations” of this prospectus
“Reorganisation”	the reorganisation of the Group for the purpose of the Listing, particulars of which are set out in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus
“SFC”	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 Offer”	collectively, the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company on 8 May 2017, the principal terms of which are summarised in the section headed “Share Option Scheme” in Appendix V to this prospectus

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Speed Apparel”	Speed Apparel Limited, a company incorporated in Hong Kong on 17 May 1999 with limited liability whose issued shares are wholly-owned by Mr. Chan
“Speed Apparel BVI”	Speed Apparel (BVI) Limited, a company incorporated in the BVI on 13 November 2015 with limited liability and a direct wholly-owned subsidiary of the Company upon completion of the Reorganisation
“Speed Apparel HK”	Speed Apparel (HK) Limited, a company incorporated in Hong Kong on 26 November 2015 with limited liability and an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation
“Speed Apparel Shenzhen”	尚捷時(深圳)貿易有限公司 (Speed Apparel (SZ) Trading Limited*), a company established in the PRC on 23 February 2016 with limited liability and an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation
“Speed Development”	Speed Development Co. Ltd, a company incorporated in the BVI on 12 November 2015 with limited liability whose issued shares are wholly-owned by Mr. Chan and is a Controlling Shareholder of the Company
“Speed Garment Business”	the garment business operated by Speed Apparel prior to the Reorganisation, which was transferred to Speed Apparel HK on 1 February 2016 in accordance with the terms and conditions of the Business Transfer Agreement 1
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the GEM Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and the details of which are set out in the section headed “Substantial and significant Shareholders” in this prospectus
“Takeovers Code”	The Code on Takeovers and Mergers, as amended, modified and supplemented from time to time

DEFINITIONS

“Tenancy Agreement”	the tenancy agreement dated 7 March 2016 entered into between Speed Apparel HK and Firenze Apparel in relation to the leasing of the Gemstar Property
“Track Record Period”	the two years ended 31 March 2016 and the eight months ended 30 November 2016
“Underwriters”	collectively, the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	collectively, the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“ WHITE Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“ YELLOW Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who requires such Public Offer Shares to be deposited directly into CCASS
“USA” or “US”	the United States of America
“HK\$” or “HKD” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“JPY”	Japanese Yen, the lawful currency of Japan
“US\$” or “USD”	United States dollar(s), the lawful currency of the United States of America
“m ² ”	square metre
“sq.ft.”	square feet
“%”	per cent.

* For identification purpose only

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this prospectus in connection with the Group and the Group's business. The terms and their meaning may not correspond to meanings or usage of these terms as used by others.

“cut-and-sewn knitwear”	apparel produced by cutting knitted fabric into panels and sewing them together to form an apparel, such as t-shirts, polo shirts and fleece
“ERP”	enterprise resource planning
“FOB”	free on board, a widely used international commercial term predefined by the International Chamber of Commerce, under which, among other things, the cost and risk of goods shift from the seller to the buyer when the goods are actually on board the vessel
“knitwear product”	apparel produced with each component to the specific size and shape which are formed by interlooping of yarns and the knitted panels are stitched together. Examples include sweater, cardigan and coat
“lab dip”	a laboratory procedure to test the compliance of yarn samples with customers' colour specifications

FORWARD-LOOKING STATEMENTS

The Company has included in this prospectus forward-looking statements that are not historical facts, but relate to the Group's intentions, beliefs, expectations or predictions for future event and conditions which may not occur. These forward-looking statements are contained principally in the sections entitled "Summary", "Risk factors", "Industry overview", "Business", and "Financial information", which are, by their nature, subject to risks and uncertainties.

In some cases, you can identify these forward-looking statements by words such as "aim", "anticipate", "believe", "continue", "could", "expect", "intend", "may", "might", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would" or similar expressions or their negatives. These forward-looking statements include, without limitation, statements relating to:

- the Group's business objectives, implementation plans and use of proceeds;
- the amount and nature of, potential for, future development of the Group's business;
- the Group's operation and business prospects;
- the Group's dividend payout;
- the regulatory environment of the Group's industry in general;
- the future development and trends in the Group's industry; and
- risks identified under the section headed "Risk factors" in this prospectus.

The Directors confirm that these forward-looking statements are made after due and careful consideration.

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

Additional factors that could cause actual performance or achievements to differ materially include, without limitation, those discussed under the section headed "Risk factors" in this prospectus.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. The Company undertakes no obligations to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond the Group's control. The Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

FORWARD-LOOKING STATEMENTS

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

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in the Company before making any investment decision in the Shares. The Group's business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group relies on several major customers and the Group does not enter into long-term contracts with them. This may materially and adversely affect the Group's business, prospects, financial condition and results of operations

The Group's five largest customers, all being Independent Third Parties, are owners or sourcing agents of apparel retail brands based in Japan. The Group's top five customers accounted for approximately 86.9%, 90.4% and 92.1% of the total revenue for the two years ended 31 March 2016 and the eight months ended 30 November 2016, respectively. In particular, approximately 43.9%, 50.8% and 50.9% of the Group's total revenue were attributable to its largest customer for the two years ended 31 March 2016 and the eight months ended 30 November 2016, respectively.

The Group had developed business relationships with its five largest customers for a period ranging from about 5 to 15 years as at the Latest Practicable Date. The Group does not enter into any long-term sales contracts with its customers. Although the Directors consider that the Group has established relationships with its major customers, the customers are not obligated in any way to continue to provide the Group with new business in the future at a level similar to that in the past or at all. If any of these top customers reduces the volume or prices of the products they order from the Group or terminates the business relationship with the Group entirely, there is no assurance that the Group will be able to secure new business from other customers for replacement. In addition, there is no assurance that new business secured from other customers for replacement, if any, will be on commercially comparable terms. In that event, the Group's business, prospects, financial condition and results of operations may be materially and adversely affected.

The Group is dependent on third parties for the production of apparel products, any disruption in the relationships with the third-party manufacturers or their manufacturing operations could adversely affect the Group's business

All of the apparel products the Group sourced for the customers during the Track Record Period were produced by third-party manufacturers located in the PRC and/or Thailand. As such, the Group relies heavily on the ability and efficiency of third-party manufacturers to produce apparel products for its customers and the third-party manufacturers therefore play a vital role in the Group's apparel supply chain management services. The Group does not enter into any long-term contracts with the third-party manufacturers and the Group engages them on a case-by-case basis depending on the needs and requirements of the customers. There is no assurance that all or any of the third-party manufacturers will continue to produce apparel products for the Group at the

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desired quality and quantity, in a timely manner and on commercially acceptable terms. Any disruption in the third-party manufacturers' productions may inevitably have negative impact on their ability to produce the apparel products in line with the required schedule. If any of the third-party manufacturers terminates the business relationship with the Group or if there are any changes to the current business arrangements, the Group may not be able to source stable and suitable products from comparable alternative third-party manufacturers in a timely manner or on commercially acceptable terms. Any of these events may result in production delay and would adversely affect the Group's ability to fulfil customers' orders and in turn adversely affect its sales and profitability.

Further, as the Group does not enter into any long-term contract with the third-party manufacturers, the terms of services provided by them may also be subject to fluctuations with regard to pricing, timing and quality. The Group may not be able to pass on all or any of the increase in production costs to its customers. In this event, the Group's financial performance may be materially and adversely affected. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's subcontracting charges on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 10%, which is the maximum fluctuation rate during the Track Record Period, and at 20%, which is the double of the maximum fluctuation rate to illustrate the impacts on the profit in a more extreme scenario:

Hypothetical fluctuations in subcontracting charges	-10%	-20%	+10%	+20%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(Decrease) in profit before tax				
Year ended 31 March 2015	23,810	47,620	(23,810)	(47,620)
Year ended 31 March 2016	28,283	56,565	(28,283)	(56,565)
Period ended 30 November 2015	17,081	34,161	(17,081)	(34,161)
Period ended 30 November 2016	19,892	39,783	(19,892)	(39,783)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2015	19,881	39,763	(19,881)	(39,763)
Year ended 31 March 2016	23,616	47,232	(23,616)	(47,232)
Period ended 30 November 2015	14,263	28,524	(14,263)	(28,524)
Period ended 30 November 2016	16,610	33,219	(16,610)	(33,219)

There are time lags between making payments to the Group's suppliers and receiving payments from its customers. Failure to handle this cash flow mismatch may adversely affect the Group's cash flow and financial position

Time lags between making payments to the suppliers and receiving payments from the customers are approximately 90 days. The Group requires sales proceeds from its customers in order to settle its trade payable to suppliers or to repay the bank borrowings in a timely manner. There is no assurance that the customers will make payments on time and in full. If the Group fails to properly manage its exposure from such cash flow mismatch or if the Group experiences any

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difficulty in collecting a substantial portion of its trade receivables, the Group's cash flows and financial position could be materially and adversely affected. The Group's reputation may also be ruined if the Group fails to pay its suppliers on time.

The Group is required to maintain sufficient level of working capital to sustain its business operations, failure to do so may materially and adversely affect the Group's business operations and financial performance

The Group is required to maintain sufficient level of working capital on a continuous basis to fund its business operations, including the purchase of raw materials and subcontracting charges. For the two years ended 31 March 2016 and the eight months ended 30 November 2016, the Group recorded net cash generated from operating activities of approximately HK\$28.6 million, HK\$8.5 million and HK\$14.0 million respectively. The Group's operating cash flows may be adversely affected by a variety of factors, such as macroeconomic factors that may lead to delay in payment from its customers. There is no guarantee that the Group's business will be able to generate positive operating cash flows from time to time or that the Group will be able to finance its working capital in the future. In the event that the Group fails to maintain sufficient level of working capital, the Group's business operations and financial performance may be materially and adversely affected.

The Group had net current liabilities as of 31 March 2015

The Group recorded net current liabilities of approximately HK\$6.6 million as of 31 March 2015 and net current assets of approximately HK\$18.1 million and HK\$22.8 million as of 31 March 2016 and 30 November 2016, respectively. The Group had significant short-term bank borrowings of approximately HK\$35.5 million as of 31 March 2015, which were recorded as current liabilities. The short-term bank borrowings as of 31 March 2016 and 30 November 2016 were approximately HK\$8.9 million and HK\$22.5 million respectively. There is no assurance that the Group will not experience net current liabilities position in the future. There is also no assurance that the Group's previous net current liability position will not impair its ability to make necessary capital expenditures or develop business opportunities. If the Group is unable to meet the Group's debt and interest repayment obligations, the Group's creditors may choose to accelerate the repayment of the Group's borrowings.

The Group relies heavily on banking facilities to finance its daily operations

The Group relies heavily on banking facilities to finance its operations during the Track Record Period. As at 31 March 2015 and 2016 and 30 November 2016, the Group's indebtedness positions were at approximately HK\$44.8 million, HK\$18.2 million and HK\$32.4 million, respectively and the Group's gearing ratio was approximately 1.2 times, 0.9 times and 1.3 times, respectively. The high gearing ratio is primarily attributable to the large amount of bank loans during the Track Record Period. Liquidity problems might occur due to high gearing ratio. There is no assurance that the Group would continue to obtain banking facilities in similar level in future. Without sufficient bank facilities, the Group would have difficulty in supporting its operations and business expansions. In addition, there is no assurance that the Group will be able to secure

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banking facilities at existing similar terms. In the event that the Group fails to obtain banking facilities or the terms of the banking facilities are less favourable to the Group, the Group's business operations and financial performance may be materially and adversely affected.

The Group has relatively thin net profit margin and is highly sensitive to any unfavourable change in the cost of sales, selling price and sales volume

The Group has relatively thin net profit margins. The Group recorded net profits for each of the two years ended 31 March 2016 and the eight months ended 30 November 2016. For each of the two years ended 31 March 2016 and the eight months ended 30 November 2016, the net profit margin was of approximately 2.6%, 2.9% and 1.6%, respectively. The selling price of each of the product categories depends primarily on the complexity of the product design, the size of an order, the delivery schedule set out by customers, the costs of raw materials, and the production costs as quoted by the third-party manufacturers. The Group's pricing strategies may not be effective in maintaining its financial performance including the profit margin and profitability or the Group may fail to adjust its selling price to ensure the Group is responsive to the market price changes in a timely manner. Any unfavourable changes of the above and the market conditions could have a material adverse effect on the Group's financial performance.

Fluctuations in the price, availability and quality of raw materials could disrupt the Group's production management operations and increase production costs

The Group's major raw material is yarn, which is mainly blended from different materials such as cotton, wool, lycra, etc. During the Track Record Period, the Group's key raw material suppliers were mainly located in the PRC and Hong Kong. Apart from yarn, the Group also purchases other raw materials including buttons, zippers and other accessories for the knitwear products. Approximately 27.1%, 20.9% and 22.6% of the Group's cost of sales represented purchases of raw materials and consumables used for the two years ended 31 March 2016 and the eight months ended 30 November 2016, respectively. The Group does not enter into any long-term agreements with its raw material suppliers. Based on the nature of customer orders, the Group may enter into separate purchase orders which set out the terms regarding the price, purchase quantity, delivery terms and settlement terms, among others. There is no assurance that the existing suppliers of the Group will continue to supply the raw materials to the Group at favourable or similar prices, or at all.

In the event that the prices of raw materials increase and the Group is unable to increase the prices of the products to the same or higher extent, the Group's profitability may be adversely affected. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's cost of raw materials and consumables used on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 10%, which is the maximum fluctuation rate

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during the Track Record Period, and at 20%, which is the double of the maximum fluctuation rate to illustrate the impact on the profit in a more extreme scenario:

Hypothetical fluctuations in cost of raw materials and consumable used	-10%	-20%	+10%	+20%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(Decrease) in profit before tax				
Year ended 31 March 2015	9,077	18,154	(9,077)	(18,154)
Year ended 31 March 2016	7,766	15,533	(7,766)	(15,533)
Period ended 30 November 2015	4,983	9,966	(4,983)	(9,966)
Period ended 30 November 2016	6,024	12,048	(6,024)	(12,048)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2015	7,579	15,159	(7,579)	(15,159)
Year ended 31 March 2016	6,485	12,970	(6,485)	(12,970)
Period ended 30 November 2015	4,161	8,322	(4,161)	(8,322)
Period ended 30 November 2016	5,030	10,060	(5,030)	(10,060)

It is the Group's strategy to stock up raw materials in advance of receiving sales orders from customers when the prices decrease. There is no assurance that the prices of raw materials will not further decrease after the purchase by the Group. In the event that the Group fails to adjust its selling price to maintain its profit margin or cannot effectively manage the risk as to fluctuations in the raw material prices, the Group's financial performance and profit margin may be adversely affected.

The Group is exposed to credit risks of its customers

The Group relies on the businesses generated from its customers. The Group normally requires the customers to settle in full upon the delivery of goods. For other customers, the Group generally grants customers a credit period of no longer than 90 days. The Group does not have access to all information of its customers to determine their creditworthiness. The complete financial and operational conditions of customers are not always available to the Group, and the Group may not be in any position to obtain such information. As a result, if any of the Group's major customers experiences any financial difficulty and fails to settle the outstanding amounts due to the Group in accordance with the agreed credit terms, the Group's working capital position may be adversely affected. Provisions for impairment or write-offs may also be required for trade receivables, which will have an adverse effect on the Group's profitability. In such circumstances, the results of operations would be adversely affected.

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

The Group has historically experienced and expects to continue to experience to seasonal fluctuations. Generally, demand for the Group's apparel products is relatively higher for winter season. As a result, customers normally place orders with the Group for winter collection in the second to the third quarter of the year while the Group delivers the corresponding finished goods to customers in the second half of the calendar year. The sales generated from August to January in aggregate accounted for approximately 71.7% and 68.2% of the Group's total revenue during each of the two years ended 31 March 2016. Therefore, the operating results of the Group for certain period within a calendar year or between any interim periods may not be taken as an indication of its performance for the entire calendar year. Hence, prospective investors should be aware of this seasonal fluctuation when making any comparison of the Group's operating results.

The Group may fail to anticipate and respond in a timely manner to rapid changes in fashion trends and consumer preferences

The Group's apparel supply chain management solutions include the provision of apparel product design services. The ability to anticipate future fashion trends and consumer demand and the ability to respond and take appropriate actions will be crucial to the Group's future business growth and success in the apparel supply chain management industry. Due to the highly subjective nature of the apparels market and the rapid change in trends for apparels, the Group may not be able to capture or predict the future fashion trend and continue to develop appealing design for the customers. If the Group can no longer meet the preferences of the customers and/or end consumers, the Group's results of operations, financial performance and business could be materially and adversely affected.

The Group is dependent on key personnel and there is no assurance that the Group can retain them

The Directors believe that the success of the Group, to a large extent, is attributable to, among other things, the contribution of each of the executive Directors and members of the senior management team, namely, Mr. Chan, Mr. Ng, Ms. Sze Yee Kwan, Ms. Wong Lai King and Ms. Wu Yu Lim, Winnie. Details of their expertise and experience are set out in the section headed "Directors and senior management" in this prospectus. The key personnel as well as their management experience in the apparel supply chain management industry in Hong Kong and their expertise are crucial to the Group's operations and financial performance.

There could be an adverse impact on the Group's operations should any of the executive Directors/senior management members terminate his/her service agreement with the Group or otherwise cease to serve the Group and appropriate persons could not be found to replace them. There is no assurance that the Group will be able to attract and retain capable staff or that they will not resign in the future.

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If the Group fails to properly protect the product designs and intellectual property rights of its customers, the Group's reputation, business operations and results of operations may be adversely affected

The product design sketches and instruction sheets may contain confidential information regarding proprietary product designs of the Group's customers. The Group has policies and procedures to protect the intellectual properties of the Group and its customers. The confidential documents for each of the respective customers will be stored in the designated place and only the responsible merchandising team, design staff and authorised personnel are allowed to access such information.

Nevertheless, there is no assurance that the above-mentioned internal control procedures in relation to the protection of the product designs and the intellectual property rights of the Group's customers will not fail. If the Group fails to properly protect the product designs and intellectual property rights of its customers, the Group's reputation, business operations and results of operations may be adversely and materially affected.

A shift in business model to business-to-business may affect the Group's sales

The Group's business operates on a traditional business model where it acts as an intermediary between owners or sourcing agents of apparel retail brands and third-party manufacturers. With the increasing popularity of business-to-business commerce sites, brand owners and sourcing agents may be able to easily access third-party manufacturers for products not designed by the Group. This may reduce their reliance on the Group's supply chain management solutions and services, which will have a material adverse impact on the Group's financials.

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

Firenze Apparel distributed interim dividends amounting to HK\$7.0 million for the year ended 31 March 2015 to Mr. Chan prior to the Reorganisation. Other than the above, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period or by the Company since its incorporation. No assurance can be given that dividends of similar amounts or at similar rates will be paid in the future or that dividends will be paid at all. Any future dividend declaration and distribution by the Group will be at the discretion of the Directors depending upon the Group's financial results, the Shareholders' interests, general business conditions, strategies and future expansion needs, the Group's capital requirements, payment by its subsidiaries of cash dividends to the Company, possible effects on liquidity and financial position of the Group and such other factors as the Board may consider relevant. As a result, there is no reference to the basis for forecasting the amount of dividend payable in future in this prospectus. The past dividend distribution record should not be used as a reference of the amount of dividend payable in the future.

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RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES

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

Changes in weather conditions will alter end consumers' taste, design and preference in products and also their consumption behaviour. 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. The Group, as an apparel supply chain management services provider, and the customers are accustomed to traditional seasonal cycles and the apparel products the Group procures for its 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 Group's sales volume 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, which may reduce their spending on other apparel products and in turn negatively impact the Group's sales. If the Group fails to adapt to new seasonality trends or consumer spending behaviour, the revenue and business conditions may be adversely affected.

Increased inspection procedures, tighter import and export controls and additional trade restrictions could increase the operating costs and cause disruption to the Group's business

The apparel industry is subject to various security and customs inspection and related procedures in countries of origin and destination as well as at transshipment points. These procedures can result in the seizure of apparel, delays in transshipment or delivery of apparel and the levying of customs duties, fines or other penalties against exporters or importers. If the relevant inspection procedures or other controls are further tightened, the Group may incur further costs and delays and its business may be adversely affected.

On the other hand, the Group cannot predict whether it will be subject to any additional trade restrictions, including the likelihood, type or effect of any of such restrictions. Generally, trade restrictions, including increased tariffs or quotas, embargoes, and customs restrictions, against apparel items, as well as labour strikes, work stoppages or boycotts, could adversely affect the Group's business, financial condition and results of operations.

RISKS RELATING TO JAPAN

Any further decrease in retail sales value and sales volume of Japan apparel retail market may adversely affect the Group's operating result and performance

The Group is an apparel supply chain management services provider. Headquartered in Hong Kong, the Group principally sells knitwear products predominately in the Japan market. The Group is therefore dependent on customers' business performances and developments primarily in the Japan apparel retail market. According to the Euromonitor Report, retail sales value of apparel in Japan decreased at a CAGR of 9.5% over the period from 2011 to 2015 to reach USD62,452.9

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million in 2015 while the retail sales volume of apparel in Japan decreased at a CAGR of 0.5%. If the apparel retail sales value and volume continue to decrease in the future, the Group's business might be adversely affected. In the event of any adverse changes that may happen to the economy in Japan affecting the retail market, such as a slowdown in growth of the GDP in Japan, which leads to a slowdown in growth of consumer spending, especially discretionary spending on goods like fashion apparel, the business, operating results and financial condition of the Group may be materially and adversely affected.

The Group's performance and profitability may be affected by the fluctuation of exchange rate of JPY

The Group's customers, who are the owners or sourcing agents of apparel retail brands, are predominantly located in Japan. Many of the finished products supplied to them will eventually be sold in Japan. The Group's performance and profitability are dependent on the consumer consumption level and the macroeconomic conditions around the world especially in Japan. According to the Euromonitor Report, there is a rising expenditure by foreign tourists on apparel products in Japan. The expenditure on apparel products was recorded as the third highest expenditure category for tourists in 2015 at JPY38,840 per person. There are many factors which may affect the level of consumer spending in Japan, including but not limited to level of disposable income, interest rates, currency exchange rates, recession, inflation, political uncertainty, taxation, tariff regime, stock market performance, unemployment level and general consumer confidence. Any adverse change in these factors may have a negative impact on the Group's future performance and profitability.

In particular, the fluctuations in the foreign exchange rate of JPY may materially affect the Group's business. The JPY had appreciated strongly against the USD in the earlier half of 2016, and subsequently depreciated against the USD in late 2016. If JPY appreciates in the future, the Group's major customers in Japan may find the Group's product prices (which are quoted in USD) relatively cheaper and hence bargain for less discount and be more willing to increase their sales orders to the Group, thus enabling the Group to receive more orders at better prices and profit margin. If JPY depreciates, the Japanese customers may consider the Group's product prices (which are quoted in USD) relatively higher and as a result bargain for a deeper discount in the prices and order less. Owing to the above, the Group's revenue, financial performance and profit margins are impacted by the fluctuation in the foreign exchange rate of JPY.

The potential increase in consumption tax in Japan may affect the Group's financial condition, results of operations and business

The Japanese government reviews tax policy annually as part of its budgetary process. Under The Consumption Tax Act (Act No.47 of May 19, 1993, as amended) in Japan, the consumption tax is assessed at each stage of the manufacturing, importing, wholesale and retail process. The current consumption tax rate is 8% (6.3% imposed as national tax and 1.7% as local tax). The Japanese government announced its intention to increase the consumption tax to 10% (7.8% imposed as national tax and 2.2% as local tax) with effect from October 2019. The Group cannot predict if and when the consumption tax will further increase in the future or at what rate. If the consumption tax

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is further increased, it is likely that consumer spending will be adversely affected, which in turn may decrease the demands from the Group's customers, resulting in material adverse effects on the Group's financial condition, results of operations or business.

The Group may be subject to the corporate tax in Japan and there is no assurance that changes in the corporate tax rate in Japan will not materially and adversely affect the Group's operating results and performance

The Group intends to incorporate a new operating entity in Japan with a design team and an account servicing team to assist with the operation locally as part of its business strategies. For details, please refer to the section headed "Business — Business strategies" in this prospectus. Under the Corporation Tax Act, the statutory tax rate for corporate tax in Japan is currently 29.97%. The corporate tax rate in Japan on assessable profits is generally higher than the applicable tax rate in Hong Kong. Therefore, the Group's intention to incorporate the new operating entity in Japan may lead to an increase in the Group's tax exposures in Japan. In addition, the Japanese government reviews tax policy annually as part of its budgetary process. The Group cannot predict if and when the corporate tax rate will increase in the future or at what extent. Any material increase in the corporate tax rate in Japan may have adverse impacts to the Group's financial condition, results of operations or business.

Future expansion plans are subject to uncertainties and risks and therefore may not be materialised as planned

The Group has set out its future plans in the section headed "Statement of business objectives and use of proceeds" in this prospectus. Whether the Group's future plans can be implemented successfully may be beyond the Group's control and some future events may affect the smooth running of the expansion plans such as changes in consumers' reception of the Group's products, rules and regulations and general market conditions.

In addition, the general economic environment and the development of the consumer apparel markets in Japan and around the world may be unpredictable. In view of such uncertainties, there is no assurance that the Group will be able to secure more sales from existing customers or potential new customers and/or maintain the level of profit margins that the Group had been able to achieve during the Track Record Period or at all.

RISKS RELATING TO THE PRC

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

Most of the Group's suppliers, which are mainly third-party manufacturers and raw material suppliers, are based in the PRC. As a result, the Group's operations and financial results could be indirectly and adversely affected by any changes in political, economic and social conditions, or changes in the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretations thereof), measures which might be introduced to control inflation, changes in

RISK FACTORS

the rate or method of taxation, the imposition of additional restrictions on currency conversion and the imposition of additional export restrictions. Furthermore, a significant portion of economic activities in the PRC at present are export-driven. Therefore, they are affected by the developments in the economies of the principal trading partners of the PRC and other export-driven economies. The Group has no assurance that the PRC government will continue to pursue a policy of economic and social reform. The policies and other measures taken by the PRC government to regulate the PRC economy and social condition may adversely affect the Group's operating and financial results.

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

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

The tax rate of any category of tax in the PRC may change from time to time and adversely affect the results of operations of the Group

The Group has established Speed Apparel Shenzhen in Shenzhen, the PRC under the laws of the PRC on 23 February 2016 as a wholly foreign-owned enterprise and has successfully completed a number of transactions with the PRC subsidiaries of its Japanese customers through Speed Apparel Shenzhen. The major categories of taxes currently applicable to Speed Apparel Shenzhen include, among others, enterprise income tax and value-added tax, etc. For details, please refer to the section headed "Regulatory overview — PRC laws and regulations — Regulations on taxation" in this prospectus. For each of the two years ended 31 March 2016, certain of the Group's products were sold to the PRC of approximately HK\$4.5 million and HK\$10.7 million, respectively, while the Group collected certain sales proceeds in the PRC amounted to approximately RMB3.1 million and RMB2.1 million for each of the two years ended 31 March 2016, respectively. Please refer to the section headed "Business — Risk management and internal control — Major deficiencies in the internal control measures during the Track Record Period" for further details. Assuming Speed Apparel Shenzhen had been incorporated and dealing with the PRC subsidiaries of the Japanese customers since the beginning of the Track Record Period, the potential PRC tax liabilities to be borne by the Group is estimated to be approximately RMB257,000 and RMB133,000 for each of the two years ended 31 March 2016, respectively. The establishment of Speed Apparel Shenzhen will lead to an increase in the Group's tax liability in the PRC. The Group cannot predict if and

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when the tax rate of any category of tax applicable to Speed Apparel Shenzhen will increase in the future or at what rate. Any material increase in the tax rate may result in material adverse effects on the Group's financial condition, results of operations or business.

The Company may be considered a “PRC resident enterprise” under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and be subject to PRC enterprise income tax on its global income

The Company is incorporated in the Cayman Islands and the Group conducts certain business operation through operating Speed Apparel Shenzhen, which is established under the laws of the PRC on 23 February 2016, in the PRC. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose “de facto management bodies” are located within the PRC are considered “PRC resident enterprise” and thus will generally be subject to an EIT at the rate of 25% on their global income. On 6 December 2007, the State Council adopted the Regulations on the Implementation of the EIT Law effective on 1 January 2008, which defines the term “de facto management bodies” as “bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises”. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of “de facto management bodies” for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprises groups in the PRC. However, it remains unclear how the tax authorities will treat an overseas enterprise like the Company invested or ultimately controlled by an individual non-PRC resident.

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

RISKS RELATING TO THE SHARE OFFER AND THE SHARES

There has been no prior public market for the Shares and the liquidity, market price and trading volume of the Shares may be volatile

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal in, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Factors such as variations in the Group's revenues, earnings and cash flows, strategic alliances or acquisitions made by the Company or the Group's competitors, industrial or environmental accidents suffered by the Group, loss of key personnel, litigation or fluctuation in the market prices for the Group's products or raw materials, the liquidity of the market for the Shares, the general market sentiment regarding the industry could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond the Group's control and unrelated to the performance of the

RISK FACTORS

Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, you may not be able to sell the Shares at or above the Share Offer Price.

Investor may experience dilution if the Company issues additional Shares in the future

The Company may issue additional Shares upon exercise of the options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

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

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

There is no guarantee that the Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. The Group cannot predict the effect, if any, of any future sales of the Shares by any of the Controlling Shareholders, or that the availability of the Shares offered by any of the Controlling Shareholders for purchase may have on the market price of the Shares. Sales of a substantial number of Shares by any of the Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

The Controlling Shareholders have undertaken that any disposal of the Shares held by them will be subject to constraints for an additional 24 months in addition to the requirement under the GEM Listing Rules. There is no assurance that such undertaking will not be waived and such waiver can be granted without recommendations of the independent committee of the Board and/or the approval of the independent Shareholders

In addition to the undertakings to the Stock Exchange pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders has undertaken to the Company, the Sponsor, the Bookrunner and the Underwriters that for a further 24 months commencing on the date immediately following the expiry of the period undertaken pursuant to Rule 13.16A(1) of the GEM Listing Rules, they will not, and procure that the relevant registered holder(s) will not, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/it would either individually or together cease to be a Controlling Shareholder.

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Such undertaking can be waived as agreed between the Company, the Sponsor, the Bookrunner and the Underwriters without recommendations of the independent committee of the Board comprising independent non-executive Directors and/or the approval of the independent Shareholders. Should the undertaking be waived, there is no assurance that the Controlling Shareholders will not dispose of their Shares. Sale of Shares in the public market by the Controlling Shareholders or any market perception that their sale of shares might occur, could adversely affect the market price of the Shares. For details of the undertaking, please refer to the section headed “Underwriting” in this prospectus.

RISKS RELATING TO THIS PROSPECTUS

Statistics and industry information contained in this prospectus may not be accurate and should not be unduly relied upon

Certain facts, statistics, and data presented in the section headed “Industry overview” and elsewhere in this prospectus relating to the industry in which the Group’s operation have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. The Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and the Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, the Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither the Group, the Directors, the Sponsor, the Bookrunner (also in its capacity as the Bookrunner and the Underwriter), the Joint Lead Managers, the Underwriters, their respective affiliates or advisers nor any parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

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

Included in this prospectus are various forward-looking statements that are based on various assumptions. The future results could differ materially from those expressed or implied by such forward looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking statements” in this prospectus.

RISK FACTORS

Investors should read this entire prospectus carefully and the Company strongly cautions you not to place any reliance on any information (if any) contained in press articles or other media regarding the Group and the Share Offer including, in particular, any financial projections, valuations or other forward looking statement

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to the Group and the Share Offer that is not set out in this prospectus. The Company wishes to emphasise to potential investors that neither the Company nor any of the Sponsor, the Bookrunner, the Joint Lead Managers (also in their capacity as the Underwriters), the Underwriters, the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by the Company or any of the Professional Parties. Neither the Company nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, the Company disclaims any responsibility, liability whatsoever in connection therewith or resulting therefrom.

Accordingly, prospective investors should not rely on any such information in making your decision as to whether to invest in the Offer Shares. You should rely only on the information contained in this prospectus.

**WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES AND
EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

It is stated in Rule 7.03(1) of the GEM Listing Rules that in the case of a new applicant, the accountants' report must include the results of the issuer or, if the issuer is a holding company, the consolidated results of the issuer and its subsidiaries covering at least the two financial years immediately preceding the issue of the listing document or such shorter period as may be acceptable to the Stock Exchange.

It is stated in Rule 11.10 of the GEM Listing Rules that a new applicant and, if required pursuant to Rule 7.01 of the GEM Listing Rules, a listed issuer must have an accountants' report prepared in accordance with Chapter 7 of the GEM Listing Rules, covering (subject to Rule 11.14 of the GEM Listing Rules) in the case of a new applicant, at least the two financial years immediately preceding the issue of the listing document.

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and sets out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company is required to include in this prospectus a statement as to its gross trading income or its sales turnover (as may be appropriate) during each of the three financial years immediately preceding the issue of this prospectus including an explanation of the method used for the computation of such income or turnover and a reasonable breakdown between the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company is required to include in this prospectus a report by the auditors of the Company with respect to (a) profits and losses of the Company; and (b) assets and liabilities of the Company for each of the three financial years immediately preceding the issue of this prospectus.

According to section 5(3) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), all references to "3 preceding years", "3 financial years" and "3 years" in paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance are substituted by references to "2 preceding years", "2 financial years" and "2 years", respectively, for a prospectus issued in relation to an application for the listing of securities on GEM.

The Company's financial year end dates are on 31 March. The accountants' report of the Company set out in Appendix I to this prospectus is currently prepared to cover the two full financial years ended 31 March 2016 and the eight months ended 30 November 2016.

**WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES AND
EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

As such, the Sponsor has applied on behalf of the Company to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules on the following conditions:

- (a) this prospectus will be issued on or before 16 May 2017;
- (b) the Shares will be listed on GEM on or before 31 May 2017;
- (c) the Company shall obtain a certificate of exemption from the SFC on strict compliance with the requirements of section 342(1) of, and paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to, the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (d) a profit estimate for the year ended 31 March 2017 (which complies with Rules 14.29 to 14.31 of the GEM Listing Rules) shall be included in this prospectus; and
- (e) there shall be a Directors' statement in this prospectus that save as to the Listing expenses there is no material adverse change to the Group's financial and trading positions or prospect with specific reference to the trading results from 1 December 2016 to 31 March 2017.

Further, an application has been made to the SFC for a certificate of exemption from strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance regarding the inclusion of the accountants' report covering the full financial year ended 31 March 2017 in this prospectus on the ground that it would be unduly burdensome for the Group's consolidated results for the financial year ended 31 March 2017 to be finalised within a short period of time.

The SFC has granted a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (a) particulars of the exemption are set out in this prospectus; and (b) this prospectus will be issued on or before 16 May 2017 and the Shares will be listed on GEM on or before 31 May 2017.

**WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES AND
EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

The Directors consider that the waiver and the exemption as mentioned above would not prejudice the interests of the investing public on the following grounds:

- (a) after performing sufficient due diligence on the Group and after conducting all due enquiries, they are not aware of any event since 1 December 2016 which would adversely and materially affect the information shown in the accountants' report set out in Appendix I to this prospectus and other financial information set out in this prospectus;
- (b) save as to the Listing expenses, there has been no material adverse change in the Group's financial and trading positions or prospects from 1 December 2016 to 31 March 2017; and
- (c) the financials for the two financial years ended 31 March 2016 and the eight months ended 30 November 2016 in this prospectus include all information as may be reasonably necessary to enable the investors to make an informed assessment of the activities, assets and liabilities and financial position of the Group.

The Directors confirmed that all information necessary for the public to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of the Group has been included in this prospectus and as such, the waiver granted by the Stock Exchange from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules and the exemption granted by the SFC from compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will not prejudice the interests of the investing public. The Directors and the Sponsor confirmed that after performing all due diligence work, up to the date of this prospectus, there has been no material adverse change in the financial and trading positions or prospects of the Group from 1 December 2016 to 31 March 2017 and there is no event since 1 December 2016 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus. The Company will comply with Rules 18.03 and 18.49 of the GEM Listing Rules in respect of the requirements for publication of the annual results and annual report for the year ended 31 March 2017.

A profit estimate for the year ended 31 March 2017 (which complies with Rules 14.29 to 14.31 of the GEM Listing Rules) is included in Appendix III to this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus. So far as the Share Offer is concerned, no person is authorised to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sponsor, the Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors (where applicable) or any other parties involved in the Share Offer.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published in connection with the Share Offer for which Messis Capital is the sponsor. The Offer Shares are fully underwritten by the Underwriters pursuant to the Underwriting Agreements. For further information about the Underwriters and the Share Offer and underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

Each person acquiring the Offer Shares will be required to, or be deemed by his, her or its acquisition of the Offer Shares to, confirm that he, she or it is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus and the Application Forms. This prospectus is not an offer or invitation in any jurisdiction in which it is not authorised, and is not an offer or invitation to any person to whom it is unlawful to make an unauthorised offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

APPLICATION FOR LISTING ON GEM

The Company has applied to the Listing Division for the listing of, and permission to deal in, the Shares in issue and which are to be issued or may be issued pursuant to the Capitalisation Issue and the Share Offer (including any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) and as otherwise described herein on GEM.

No part of the share or loan capital of the Company is listed, traded or dealt in on any stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to the Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, the Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of the Company in the hands of the public. A total of 125,000,000 Shares representing approximately 25% of the enlarged issued share capital of the Company immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) will be made available under the Share Offer.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of the Company, the Directors, the Sponsor, the Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or the exercise of their rights thereunder.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

REGISTRATION AND STAMP DUTY

All the Offer Shares will be registered on the branch register of members of the Company to be maintained in Hong Kong by the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Dealings in the Shares registered on the Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

If you are unsure about the details of CCASS settlement arrangement and how such arrangements will affect your rights and interests, you should seek the advice of your stockbroker or other professional advisers.

COMMENCEMENT OF DEALING IN THE SHARES

Dealings in the Shares on GEM are expected to commence on or about Wednesday, 31 May 2017. Shares will be traded in board lots of 5,000 Shares each.

CURRENCY TRANSLATIONS

Unless otherwise specified, translations of RMB into HK\$ and US\$ into HK\$ in this prospectus are based on the exchange rate set out below (for the purpose of illustration only):

RMB0.85: HK\$1.00

US\$1.00: HK\$7.78

No representation is made that any amounts in RMB, US\$ and HK\$ can be or could have been converted at the relevant dates at the above exchange rate or any other rates.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Chan Wing Kai (陳永啟)	Flat B, 7/F., Block 7 One Beacon Hill 1 Beacon Hill Road Kowloon Tong, Kowloon Hong Kong	Chinese
Mr. Ng Ming Ho (吳明豪)	3/F. 70 Bute Street Mong Kok, Kowloon Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Kwok Chi Shing (郭志成)	Flat J1, 9/F. Wei Chien Court Wyler Gardens To Kwa Wan, Kowloon Hong Kong	Portuguese
Ms. Chan Siu Lai (陳小麗)	Flat 2101, 21/F. Kwong Cheong House Kwong Ming Court Tseung Kwan O, Hong Kong	Chinese
Mr. Ma Kwok Fai, Edwin (馬國輝)	Flat A1, 25/F. Kingsfield Tower 83 Bonham Road Mid-levels, Hong Kong	Chinese

For further information on the profile and background of the Directors, please refer to the section headed “Directors and senior management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor**Messis Capital Limited**

A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Room 1606, 16th Floor, Tower 2
Admiralty Centre
18 Harcourt Road
Hong Kong

Bookrunner**Great Roc Capital Securities Limited**

A licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO

Suite 1601–1603, West Tower
Shun Tak Centre
168–200 Connaught Road Central
Central
Hong Kong

**Joint Lead Managers
(In alphabetical order)****Founder Securities (Hong Kong) Limited**

A licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO

21st Floor, 33 Des Voeux Road Central
Central
Hong Kong

Quam Securities Company Limited

A licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO

18/F–19/F, China Building
29 Queen's Road Central
Central
Hong Kong

RHB Securities Hong Kong Limited

A licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO

12/F., World-Wide House
19 Des Voeux Road Central
Central
Hong Kong

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INDUSTRY OVERVIEW

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SOURCES OF INFORMATION

General

The Company had engaged Euromonitor to conduct an independent assessment of the apparel supply chain management industry in Hong Kong and has agreed to pay a fee of approximately US\$104,320 for the Euromonitor Report. Established in 1972, Euromonitor is a global research organisation with analysts in over 80 countries worldwide engaging in strategy research for both consumer and industrial markets.

Research methodology

In compiling and preparing the Euromonitor Report, Euromonitor used the following methodologies to collect multiple sources, validate the data and information collected, and cross-check each respondent's information and views against those of others: (i) secondary research, which involved reviewing published sources including national statistics and official sources such as Census and Statistics Department of Hong Kong, the National Bureau of Statistics of China, the Statistics Bureau of Japan, and the National Statistical Office of Thailand, company reports including audited financial statements where available, independent research reports, and data based on Euromonitor's own research database; (ii) primary research which involved interviews with a sample of leading industry participants and industry experts for latest data and insights on future trends and to verify and cross check the consistency of data and research estimates; (iii) projected data obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers; and (iv) review and cross-checks of all sources and independent analysis to build all final estimates including the size, shape, drivers and future trends of the apparel supply chain management market and prepare the final report.

INDUSTRY OVERVIEW

Forecasting basis and assumptions

The Euromonitor Report is prepared by Euromonitor under the following assumptions: (i) the economy in Hong Kong, China, Japan and Thailand is expected to maintain steady growth over the forecast period from 2016 to 2020 (the “**Forecast Period**”); (ii) the social, economic, and political environment in Hong Kong, China, Japan and Thailand is expected to remain stable in the Forecast Period; (iii) there will be no external shock, such as financial crisis or raw material shortage that affects the demand and supply for apparel supply chain management services in Hong Kong, apparel manufacturing in China and Thailand, as well as apparel retail in Japan during the Forecast Period; (iv) key market drivers such as Hong Kong firms’ profound knowledge and experiences of apparel supply chain management and close relationship with trading partners are expected to boost the development of the apparel supply chain management market in Hong Kong; (v) key drivers including rising expenditure by foreign tourists on apparel in Japan and growth in online retailing are likely to drive the future growth of the apparel retail industry in Japan; (vi) key drivers including massive domestic demand, sophisticated production techniques and high level of production efficiency are likely to drive the future growth of the apparel manufacturing industry in China; and (vii) key drivers including structural change in the apparel manufacturing industry are likely to drive the future growth of the apparel manufacturing industry in Thailand.

APPAREL RETAIL MARKET IN JAPAN

The apparel retail market in Japan is a mature one with stagnant growth in both volume and value terms over the period from 2011 to 2015 (the “**Review Period**”). Retail sales value of apparel decreased at a CAGR of 9.5% over the Review Period to reach USD62,452.9 million in 2015 while retail sales volume of apparel decreased at a CAGR of 0.5%.

The decrease in retail value sale and retail volume of apparel in Japan from 2011 to 2015 was mainly due to shrinking disposable incomes, stagnating Japanese population, and a growing ageing population which had made expansion through domestic consumption difficult. This is corroborated by declining consumer expenditure on apparel items as recorded by Statistics Bureau of Japan data. Household expenditure on clothing and footwear declined from JPY14,245.0 per month in 2000 to JPY9,832 per month in 2015.

The sustained economic downturn in Japan has caused a drop in disposable income. Apart from that, the consumption pattern in Japan apparel retail market has gradually shifted to the local and imported fast fashion brands with affordable price. In other words, consumers tended to purchase more lower-priced apparel. This further caused affordable yet trendy mass market local apparel brands and other imported fast fashion brands to increase in traction, which led to decrease in the overall retail sales value of apparel. During the Review Period when the apparel retail market in Japan witnessed shrinking retail sales value and volume, increasing inbound tourism and growing internet apparel retailing has contributed to offset part of the decrease.

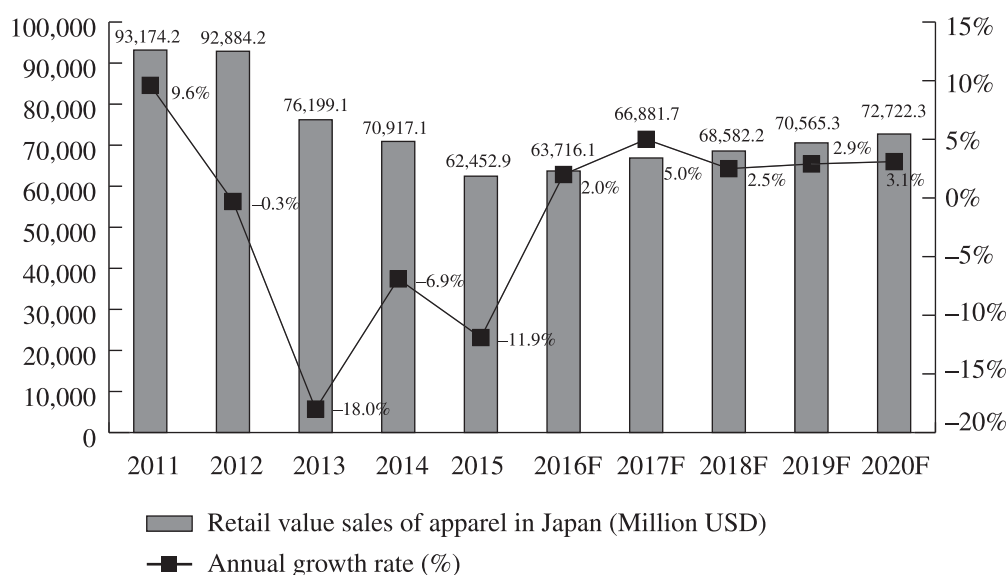
In the Forecast Period, while the growth constraints including shrinking disposable incomes, stagnating Japanese population and ageing population are likely to persist, the apparel retail market in Japan is expected to recover due to growing popularity of internet apparel retailing, increasing

INDUSTRY OVERVIEW

inbound tourism and changing consumer pattern. The retail sales value of apparel is projected to reach USD72,722.3 million in 2020, representing a CAGR of 3.4% over the Forecast Period. In the Forecast Period, the internet retailing is expected to continue to become increasingly prominent in consumer lifestyles in Japan, while consumers are also expected to become increasingly comfortable with shopping online. The apparel retail sales value through internet retailing grew at a CAGR of 10.5% during the Review Period. It is expected that the internet retailing within apparel retail will have a steady growth over the Forecast Period. In addition, the flood of tourists into Japan is set to grow further over the Forecast Period. Growth in the number of inbound tourists will continue to be driven both by government campaigns and by the efforts of private companies. The Japanese government has set a target of 20 million tourist arrivals annually by 2020. As part of its tourism growth strategy, the Japanese government also aims to increase the number of outlets participating in its duty-free scheme to 10,000, up from 4,000 in 2014.

However, despite the forecast growth in terms of retail sales value, the annual retail sales value in the Forecast Period will be generally lower than that in the Review Period. This is partly due to ongoing economic constraints and the increasing preference towards mass-market apparel due to shrinking disposable incomes, and partly due to the decline in population and ageing population which results in lower demand in fashion clothing and apparel for work.

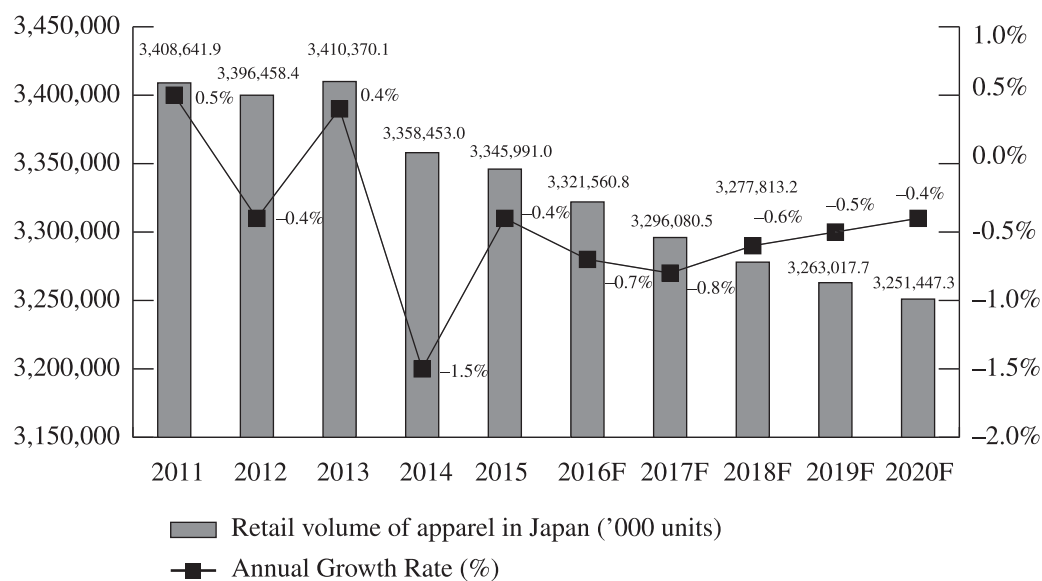
Retail Value Sales of Apparel in Japan, 2011–2020



Source: Passport — Apparel and Footwear 2016 edition

INDUSTRY OVERVIEW

Retail Volume of Apparel in Japan, 2011–2020



Source: Passport — Apparel and Footwear 2016 edition

Ranking of the Leading Apparel Brands in Japan, 2015

Ranking **Leading apparel brands (up to 5), in terms of retail value sales, 2014 historic**

1	Uniqlo
2	Shimamura
3	GU
4	Cross Plus
5	Wacoal

Source: Passport Data — Apparel and Footwear 2016 edition

Note: Audited data if available is usually not industry specific and includes other products/services. Industry ranking will therefore be estimated on publicly available data and the trade opinion survey (not just the companies themselves).

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In 2015, Japan imported USD13,315.1 million of knitted or crocheted apparel and clothing accessories, representing a CAGR of –3.3% over the Review Period. The apparel import market in Japan is highly fragmented, with apparel imported from more than 100 countries worldwide, and mostly from Asian countries. China is the largest exporter to Japan, followed by Vietnam and Indonesia. These three countries accounted for 86% of Japan apparel imports in 2015. Hong Kong is the largest 35th importing country in the same year.

The Imports of Apparel Items and Clothing Accessories in Japan, 2011–2015

Data		Unit	2011	2012	2013	2014	2015
As per HS Code 61:	From the world at	Million	15,223.6	15,633.4	15,683.6	14,576.5	13,315.1
articles of apparel	large (value at CIF)	USD					
and clothing							
accessories knitted							
or crocheted							

Source: The United Nations Commodity Trade Statistics Database (the “UN Comtrade”)

* CIF: includes the transaction value of the goods, the value of services performed to deliver goods to the border of the exporting country and the value of the services performed to deliver the goods from the border of the exporting country to the border of the importing country.

KEY DRIVERS FOR THE APPAREL RETAIL INDUSTRY IN JAPAN

Rising expenditure by foreign tourists on apparel in Japan an important growth factor

Over the Review Period, tourist arrivals into Japan increased significantly, partially due to a depreciation in the yen which has made Japan a more affordable and attractive holiday destination to the rest of the world. Furthermore, new initiatives by the government to relax entry visa requirements for tourists from China and various Southeast Asian countries have also helped to bolster the inflow of tourists from these regions. All of these have led to significant increases in expenditure by tourists in Japan, with total expenditure generated by inbound tourists exceeding JPY3.5 trillion in 2015, increased by 71.5% from 2014.

The apparel retail industry has been one of the main beneficiaries, with expenditure on apparel products being recorded as the third highest expenditure category for tourists in 2015, at JPY38,841 per person. This has helped to drive growth in an otherwise stagnant and lackluster industry in Japan, and will also be critical to any further expansion of the apparel retail market in Japan over the Forecast Period.

Growth in online retailing helping to encourage purchases of apparel products

Online retailing has been taking off in Japan over the past decade, with increasing number of Japanese consumers moving away from retail storefronts towards digital stores, being drawn by exclusive promotions and products offered through collaborations between online retailers, fashion labels and media companies. Apparel is one of the product categories benefiting from this evolution

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of online shopping in Japan, and both online retailers and traditional retailers have been devoting more resources to online storefront to drive apparel sales, capture new consumers and retain existing customers. Over the Forecast Period, growth in online retailing is expected to help boost retail sales of apparel products.

OPPORTUNITIES FOR THE APPAREL RETAIL INDUSTRY IN JAPAN

Two-pronged approach to growing domestic consumer base as well as tourists market to drive growth

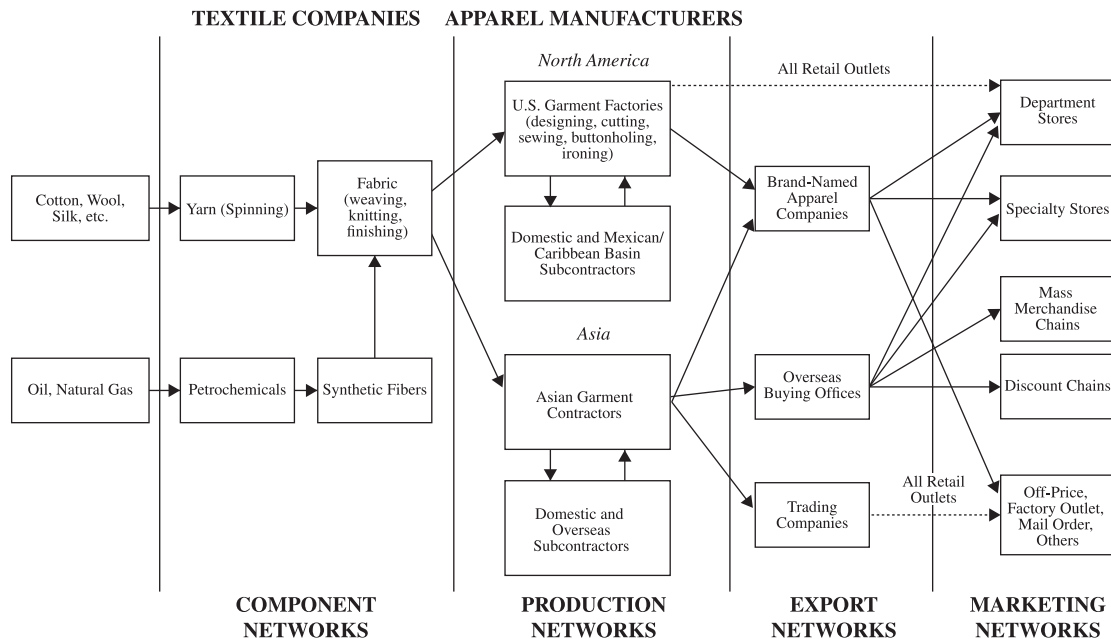
Over the Forecast Period, growth opportunities are likely to present themselves in the apparel retail industry. The increased influx of foreign tourists into Japan is one of the few bright spots for the industry, with such tourists exhibiting a strong propensity for apparel-related purchases while on vacation in Japan. Industry players should form strategic alliances with travel agencies and tourism players to further drive sales of apparel products to such tourists. Other options are to undertake advertising campaigns targeted at the most significant tourist groups likely to spend a significant amount on apparel products while in Japan, especially tourists from China.

On the domestic front, apparel retailers should continue riding on the rising popularity of online shopping by making exclusive products available only through their online platforms, as well as undertake more strategic partnerships with firms from other industries such as media and technology firms to expand the appeal of their apparel products to a wider local consumer base. For example, Chinese tourists tend to research for potential purchases in Japan before their trip via social networking service platforms, and this is an area which apparel retailers can leverage to promote their products directly to tourists before they arrive in Japan.

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APPAREL SUPPLY CHAIN MANAGEMENT INDUSTRY IN HONG KONG

The apparel industry has a buyer-driven value chain and global buyers determine what will be produced at what price. Typically, lead firms outsource manufacturing to a global network of contract manufacturers in developing countries with the most competitive rates. Lead firms include retailers and brand owners that are normally based in developed markets like the US and Japan. These firms typically handle the most valuable activities in the apparel value chain, such as design, marketing, and sales. Typical value-added services provided by apparel supply chain management companies include: (i) research & development; (ii) design; (iii) purchasing/sourcing; (iv) production/assembly/cut, make, trim (CMT); (v) distribution; (vi) marketing and sales; and (vii) services. Some retailers and brand owners have started to use B2B e-commerce platforms to approach manufacturers directly. This threatens the business of the apparel supply chain management companies. However, currently the e-commerce model is suitable only for orders with small production volume or simple product design.



Source: The Global Apparel Value Chain: What Prospects for Upgrading for Developing Countries

Hong Kong is the most important entrepot for China. According to the Hong Kong government statistics, 61.0% of re-exports were of China origin in 2015. In terms of apparel items, the re-export value has experienced setbacks during the Review Period due to the sluggish global demand. Japan is Hong Kong's second largest re-export destination for knitted or crocheted apparel items, accounting for 9.2% of the total re-export value, second only to the US. In 2015, the re-export value of knitted or crocheted apparel items from Hong Kong to Japan reached USD840.2 million, with a negative CAGR of -7.7% over the Review Period.

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The Re-export of Apparel Items and Clothing Accessories from Hong Kong, 2011–2015

Data	Unit	2011	2012	2013	2014	2015
As per HS Code 61: To Japan (value at articles of apparel FOB) and clothing accessories knitted or crocheted	Million USD	1,155.3	1,056.1	1,192.1	1,001.4	840.2

Source: The UN Comtrade

* *FOB*: type values include the transaction value of the goods and the value of services performed to deliver goods to the border of the exporting country.

An overview of the Group's operations

Given the highly fragmented nature of the market, the Group held a market share of 0.4% in terms of apparel exports to Japan by FOB in 2015.

The Group's Market Share in Terms of Apparel Exports to Japan, 2015

Data	The Group's market share, by FOB, based on its apparel exports to Japan, 2015 historic
The Group	0.4%
Other companies (collectively)	99.6%
Total	100%

Source: Euromonitor estimates from desk research and trade interviews with leading manufacturers/distributors of apparel items and clothing accessories as well as the relevant trade associations in China.

Note: It is assumed that the Group's data for the financial year should correspond with that for the calendar year.

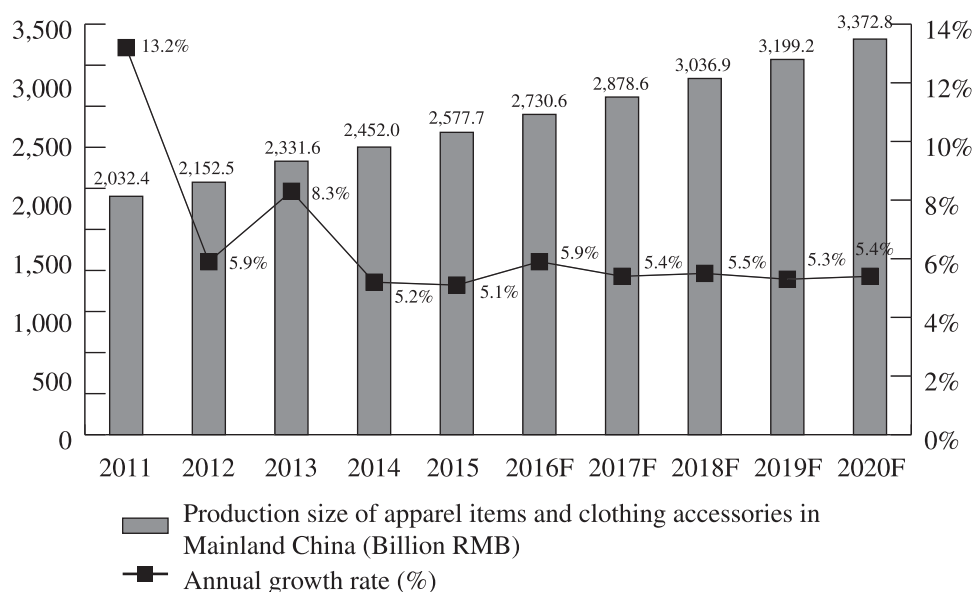
THE MANUFACTURING OF APPAREL ITEMS AND CLOTHING ACCESSORIES IN CHINA

The production size of apparel items and clothing accessories in China grew steadily during the Review Period. In 2015, total production size by manufacturers' selling price reached RMB2,577.7 billion, representing a CAGR of 6.1% from 2011 to 2015.

The growth is expected to slow down during the Forecast Period due to weaker demand caused by a less favourable global and domestic economic environment as well as the outflow of apparel manufacturing to other countries with lower labour costs. In 2020, the total production size by manufacturers' selling price is estimated to reach RMB3,372.8 billion, with a CAGR of 5.4% during the Forecast Period.

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**Production of Apparel Items and Clothing Accessories in China
(By Manufacturer's Selling Price), 2011–2020**



Source: Euromonitor estimates from desk research and trade interviews with leading manufacturers/distributors of apparel items and clothing accessories as well as the relevant trade associations in China.

China has been a favoured apparel manufacturing base for decades because of advanced techniques, high level of efficiency and product quality as well as low operation cost. According to the UN Comtrade, China registered a total apparel export value of USD162.3 billion in 2015, with a CAGR of 3.2% from 2011 to 2015. The European Union (the “EU”), the USA, Japan, the UK and Hong Kong are the key export destinations of apparel items, accounting for more than 50% of total export value of apparel from China in 2015.

In 2015, the export value of apparel decreased 6.4% from 2014 due to the sluggish economic recovery in developed economies especially Europe and Japan. However, value of apparel export to the US, one of the largest apparel export destinations of China, continued to grow in 2015, with a year-on-year growth rate of 6.9%. Value of apparel export to emerging markets such as the Middle East and Africa also experienced increase in 2015.

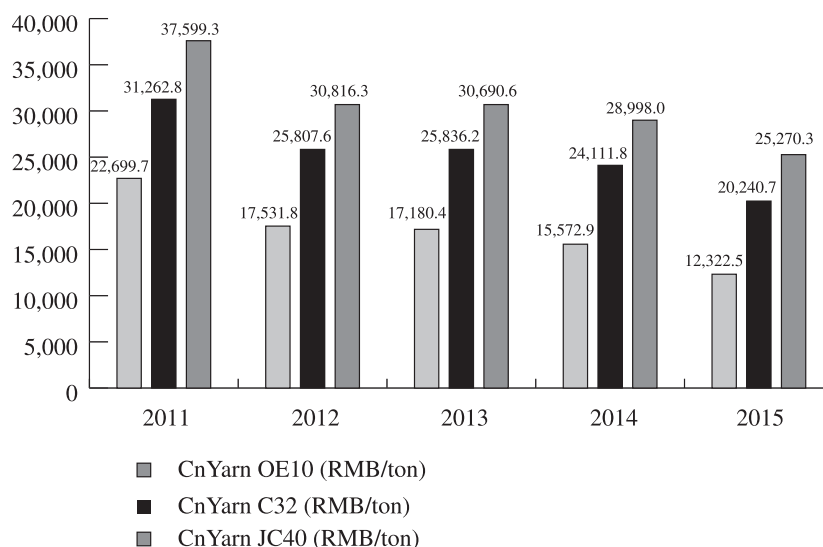
The rising labour costs and labour shortage, especially in coastal provinces, have led to the outflow of apparel manufacturing to Southeast Asian countries such as Bangladesh, Vietnam, India and Cambodia, where the labour costs are lower. However, it is mainly the low-end apparel items or the ones requiring relatively simple techniques that are moved from China to Southeast Asia, due to China’s more sophisticated manufacturing capability.

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Raw material prices

The key raw materials used in apparel manufacturing are yarns. During the Review Period, prices of yarn were generally falling, mainly due to the weak demand in both domestic and international markets. For example, according to the Pricing Index of Yarn of China (the “**CnYarn Index**”), price of OE10 (100% Cotton Open End 10/1) fell from RMB22,699.7 per ton in 2011 to RMB12,322.5 per ton in 2015, with a negative CAGR of –14.2%.

The Pricing Index of Yarn from China, 2011–2015



Source: Wind Info

Note: The CnYarn Index is released by China Cotton Textile Website in collaboration with China Cotton Textile Association and China Yarn Dyed Weaving Association.

Labour costs

Labour cost plays a fundamental role in manufacturer’s operational costs, as apparel manufacturing is a labour intensive industry. According to the National Bureau of Statistics of China, the average wage of employed persons in the manufacturing sector located in urban areas of China reached RMB55,324 in 2015, representing a CAGR of 10.8% from 2011 to 2015. The rising labour cost increases the operating expenses of manufacturers based in China.

THE MANUFACTURING OF APPAREL ITEMS AND CLOTHING ACCESSORIES IN THAILAND

The various companies in Thailand involved in the textile and apparel related activities range in size from large scale multinational corporations, small to medium enterprises, and even micro enterprises handcrafting textile and apparel products. These companies operate as both original equipment manufacturers (“**OEM**”) and original design manufacturers (“**ODM**”) for a wide range of apparel brands and retailers across the globe, ranging from fast fashion to designer labels, large department stores to independent retailers, etc.

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Manufacturing of apparel items is a substantial division out of the overall manufacturing industry in Thailand by size of establishment which ranked second only behind the manufacturing of food. Latest available data from the 2012 Business and Industrial Census issued by the National Statistical Office of Thailand shows that there were a total of 72,538 apparel manufacturing establishments in Thailand in 2011. Export of knitted or crocheted apparel and clothing accessories from Thailand to Japan increased in the Review Period at a CAGR of 3.0% from USD242.7 million in 2011 to USD273.4 million in 2015.

The Export of Apparel Items and Clothing Accessories from Thailand, 2011–2015

Data		Unit	2011	2012	2013	2014	2015
As per HS Code 61:	To Japan	Million	242.7	280.0	284.6	287.1	273.4
articles of apparel	(measured at	USD					
and clothing	FOB)						
accessories knitted							
or crocheted							

Source: The UN Comtrade

KEY DRIVERS FOR THE APPAREL SUPPLY CHAIN MANAGEMENT INDUSTRY IN HONG KONG

Hong Kong firms' profound knowledge of and experience in apparel supply chain management

The apparel supply chain management companies in Hong Kong enjoy a strong reputation in the global apparel industry because of their extensive knowledge and experience in the entire apparel supply chain from design to delivery of end products. The apparel supply chain management companies in Hong Kong are able to deliver high quality end products and meet tight timelines, making them ideal and efficient partners for international apparel brand owners. In addition, the full professional proficiency of English adds to Hong Kong's advantage as a favourable partner for global clients.

Hong Kong's close relationship with its trading partners

The geographical and cultural affinity between China and Hong Kong has been one of the main drivers of the apparel supply chain management industry in Hong Kong. Because of Hong Kong's cultural knowledge of China, it is able to navigate any business and language issues efficiently. As such, Hong Kong companies are able to find quality suppliers in China. In addition, Hong Kong can take advantage of its leading position in sales, marketing, and other professional services when handling the more premium portions of the value chain. Moreover, it is also in the perfect position to assist overseas buyers in their exploration of China.

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Industrialisation of other Asian economies accelerates Hong Kong's shift to an apparel supply chain management model

Over the past decade, Southeast Asian economies such as Vietnam, Myanmar, and Cambodia, as well as South Asian economies like India and Bangladesh have undergone significant modernisation and industrialisation. Consequently, these countries have developed a large manufacturing base for a wide variety of products including apparel, with these countries offering a large pool of cheap labour and low operating costs. As a result, an increasing number of apparel and clothing manufacturers based in Hong Kong have moved their manufacturing facilities to these countries to keep costs low and stay competitive in an increasingly cost-sensitive global marketplace. This has accelerated Hong Kong's shift to a supply chain management company model, which is at a higher end of the entire value chain.

KEY CONSTRAINTS FOR THE APPAREL SUPPLY CHAIN MANAGEMENT INDUSTRY IN HONG KONG

Overall economic weakness of trading partners

Over the Review Period, relative weakness of trading partner economies caused a drop in demand for exports. Demand in apparel slowed as consumers tightened spending in the wake of economic uncertainty in their own respective countries as well as globally. In addition, low population growth and an ageing customer base in traditional apparel markets such as the US and EU have also lessened consumption from these markets.

KEY BARRIERS OF ENTRY TO THE APPAREL SUPPLY CHAIN MANAGEMENT INDUSTRY IN HONG KONG

No significant barriers of entry for a highly competitive and fragmented industry

As a highly competitive and fragmented market populated by a large number of firms ranging from multinational companies, to smaller specialist and small scale firms, there are very few barriers of entry for the apparel and clothing industry in Hong Kong, both for apparel supply chain management with or without a manufacturing base. All that is required is sufficient working capital, a working knowledge of the various procedures and export process, and contacts within the industry as well as with manufacturers to get started.

LIKELY OPPORTUNITIES ASSOCIATED WITH FUTURE APPAREL SUPPLY CHAIN MANAGEMENT INDUSTRY DEVELOPMENT

Growing demand in emerging countries and shift in preference for advanced economies

While there is stagnation in demand from developed countries, consumers in emerging economies have a growing middle class which is eager to buy apparel products. This is a good opportunity for apparel supply chain management companies to explore opportunities and meet the demand from these consumers.

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On the other hand, consumers in advanced economies now have a growing demand for functional clothing as well as for brands that adopt ethical and green techniques despite their stagnating demand. These products command premium pricing and definitely provide suppliers in Hong Kong who are more environmentally conscious and guarantee product safety an edge over other countries.

Technology can help provide more value-added services to businesses

Companies which have access to better technology are likely to differentiate themselves from other apparel supply chain management companies. There is a growing use of online system tracking as an add value for buyers in order for them to track and monitor the status of their order. As technology advances, there is bound to be an increase in the number of companies that offer these types of services.

In addition, in order to shorten lead production time to cater to the needs of the fast fashion industry, some companies have now also offered Vendor-managed Inventory systems in which a company helps store inventory for the client. So, instead of clients placing a large number of orders and distributing these themselves, the client instructs the factory to deliver goods in smaller quantities to specific destinations. Functioning as a central warehouse, apparel supply chain management companies are able to act faster according to the demand of the market.

Pure online retailers of apparel a potential growth driver for Hong Kong companies

The proliferation of pure online retailers of apparel in China, as well as across the world, could potentially be a strong growth driver for Hong Kong's apparel supply chain management companies. Such companies, spanning large online retailers and a plethora of small scale independent retailers selling through online marketplaces, tend to focus on design and marketing, and engage apparel supply chain management specialists to undertake the necessary OEM, and to a lesser extent, ODM work for their supply.

Apparel supply chain companies in Hong Kong can leverage their strong reputation for OEM and ODM work to obtain contracts and partnerships with such companies. Their proximity to China, where one of the largest online marketplaces in the world is based also gives them a competitive advantage in obtaining business from the huge numbers of small independent retailers looking for suppliers.

Development of Hong Kong's nascent fashion industry has the potential to transform the industry

Apparel supply chain companies in Hong Kong mostly provide specialist services or in some cases manufacturing capabilities to retailers and design labels from overseas, as well as locally, and hence are largely reliant on demand from such overseas partners for their survival. Some mature companies have developed their own brand names and entered the retail space, but these are still few and far between.

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However, the Hong Kong Government is increasingly encouraging the nascent fashion industry in Hong Kong to grow. A handful of local fashion designers have also established a name for themselves globally for their attractive and innovative designs. Further development of the local fashion industry has the potential to be a game changer for the apparel and clothing industry in Hong Kong, providing many new and high-value business opportunities for apparel supply chain companies.

LIKELY CHALLENGES ASSOCIATED WITH FUTURE APPAREL SUPPLY CHAIN MANAGEMENT INDUSTRY DEVELOPMENT

Increasing globalisation reducing the need for some apparel supply chain management services

Increasing globalisation has decreased the need for Hong Kong as a gateway to China. Some companies are trying to decrease the apparel supply chain by removing the middle men and talking directly to manufacturers in China to help them produce their products. This is especially so as English levels improve in China. Lead buyers have also started establishing sourcing offices in countries so that they do not need to rely on apparel supply chain management companies.

REGULATORY OVERVIEW

This section sets forth a summary of the laws and regulations applicable to the Group's business and operations in each of the jurisdictions the Group operates (e.g. Hong Kong and the PRC). As this is a summary, it does not contain detailed analysis of laws in these jurisdictions which are relevant to the Group's business.

HONG KONG LAWS AND REGULATIONS

Apart from the general rules and regulations in Hong Kong applicable to the Group, there is no specific regulatory framework in Hong Kong that governs the principal business provided by the Group, namely provision of apparel supply chain management services. The following sets out the general rules and regulations in Hong Kong relating to (A) the business operation of the Group; (B) the employment of the Group; and (C) the health and safety of the Group's employees, which are applicable to the Group.

(A) Business Operation of the Group

Trade Marks Ordinance (Chapter 559 of the laws of Hong Kong)

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

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

Under the Ordinance, the owner of a trademark is entitled to bring infringement proceedings against a person infringing his or her trade mark for damages, injunctions, accounts and any other relief available in law.

REGULATORY OVERVIEW

As at the Latest Practicable Date, the Group registered one trademark in Hong Kong relating to the Group's business. The Directors confirm that the Group did not receive any claim for trade mark infringement during the Track Record Period and up to the Latest Practicable Date. For further details of the Group's material intellectual property rights in Hong Kong, please refer to "Further information about the business of the Group-Intellectual property rights of the Group" in Appendix V to this prospectus.

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

The Sale of Goods Ordinance aims to codify the laws relating to the sale of goods which shall be applicable to the Group's business activities. It provides that:

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

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

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

The Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong) aims to consolidate and amend the laws with respect to the terms to be implied in contract for the supply of services (including a contract for the supply of a service whether or not goods are also transferred or to be transferred, or bailed or to be bailed by way of hire). It shall be applicable to the Group's apparel supply chain management services. It provides that:

- (a) there is an implied term that the supplier will carry out the service with reasonable care and skill where the supplier is acting in the course of a business; and

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

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

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

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

- (a) a person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his/her/its liability for death or personal injury resulting from negligence and in the case of other loss or damage, a person cannot exclude or restrict his/her/its liability for negligence except in so far as the term or notice satisfies the requirement of reasonableness;
- (b) as between contracting parties where one of them deals as consumer or on the other's written standard terms of business, as against that party, the other cannot by reference to any contract term (i) when himself/herself/itself in breach of contract, exclude or restrict any liability of his/her/its in respect of the breach, or (ii) claim to be entitled to render a contractual performance substantially different from that which was reasonably expected of him/her/it, or (iii) claim to be entitled in respect of the whole or any part of his/her/its contractual obligation, to render no performance at all, except in so far as the contract term satisfies the requirement of reasonableness;
- (c) a person dealing as a consumer cannot by reference to any contract term be made to indemnify another person in respect of liability that may be incurred by the other for negligence or breach of contract, except in so far as the contract term satisfies the requirement of reasonableness; and
- (d) as against a person dealing as consumer, the liability for breach of the obligations arising under section 15, 16 or 17 of the Sale of Goods Ordinance cannot be excluded or restricted by reference to any contract term, and as against a person

REGULATORY OVERVIEW

dealing otherwise than as consumer, the liability arising under section 15, 16 or 17 of the Sale of Goods Ordinance can be excluded or restricted by reference to a contract term, but only in so far as the term satisfies, the requirement of reasonableness.

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

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

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

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

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

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

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

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

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

(B) Employment of the Group

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

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

Statutory minimum wage became effective on 1 May 2011 and with effect from 1 May 2015, the minimum wage rate is currently set at HK\$32.5 per hour. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by this Ordinance is void.

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

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

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

For both employees and employers, it is mandatory to make regular contributions into an MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1 June 2014. Employer will also be required to contribute an amount equivalent to 5% of an employee’s relevant income to the MPF scheme, subject only to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 on or after 1 June 2014).

(C) Health and Safety of the Group's Employees

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

The Occupational Safety and Health Ordinance provides for the safety and health protection of employees in workplaces, both industrial and non-industrial and is therefore applicable to the Group's employees in general. Among others, employer must, as far as reasonably practicable, ensure the safety and health at work of all its employees by:

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

An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a maximum fine of HK\$200,000 and to imprisonment for six months.

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

Occupiers Liability Ordinance (Chapter 314 of the laws of Hong Kong)

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

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

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

The Employees' Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases. The Ordinance in general applies to all full-time and part-time employees who are employed under a contract of service or apprenticeship in any employment.

Under the Ordinance, all employers are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees. An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction to a maximum fine of HK\$100,000 and imprisonment for two years.

The Ordinance provides for payment of compensation to employees who are injured in the course of employment. An employer is liable to pay compensation in respect of personal injuries sustained by his employees by accident arising out of and in the course of employment; or in respect of total or partial incapacity or death of employee results from occupational diseases and is due to the nature of any employment in which the employee was employed at any time within the prescribed period immediately preceding such incapacity or death.

PRC LAWS AND REGULATIONS

The relevant laws and regulations application to the operations and business of the Group's subsidiary in the PRC are set out below:

Regulations on Foreign Investment

Wholly foreign-owned enterprise ("WFOE") as a form of foreign investment permitted in the PRC is primarily governed by (a) Company Law of the PRC (《中華人民共和國公司法》), promulgated on 29 December 1993, as amended on 25 December 1999, 28 August 2004, 27 October 2005, and 28 December 2013 respectively; (b) Wholly Foreign-Owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), promulgated on 12 April 1986, and amended on 31 October 2000 and 3 September 2016; (c) Detailed Implementing Rules for the "Wholly Foreign-Owned Enterprise Law of the PRC" (《外資企業法實施細則》), promulgated on 12 December 1990, amended on 12 April 2001 and 19 February 2014.

A WFOE is a limited liability company, or, subject to approval, may also be other form of liability and its establishment is subject to the approval of the Ministry of Commerce of the PRC (the “**MOFCOM**”) or its authorised local counterpart where such wholly foreign-owned enterprise is located. Approval documents shall be issued following the examination and approval process.

Under the Catalogue for the Guidance of Foreign Investment Industries (Revised in 2015) (《外商投資產業指導目錄》(2015年修訂)) which was promulgated and amended from time to time jointly by the National Development and Reform Commission (the “**NDRC**”) and MOFCOM, the foreign investment industries are categorised as encouraged foreign investment industries, restricted foreign investment industries and prohibited foreign investment industries. Textile garment and apparel industry falls into the encouraged foreign investment industries.

Regulations on Import and Export of Goods

Pursuant to the Regulations on the Administration over Import and Export of Goods of the PRC (《中華人民共和國貨物進出口管理條例》) promulgated by the State Council on 10 December 2001, the import and export of goods are generally allowed by the PRC government, however, the prohibitions or restrictions explicitly stipulated in the laws or administrative regulations shall still be complied with during the conduct of import and export of goods by individuals or entities. The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the NPC Standing Committee on 12 May 1994 and amended on 6 April 2004 and 7 November 2016 further elaborates on the reasons the State may base on to restrict or prohibit the import and export of relevant goods or techniques. According to the provisions of the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), the State may restrict or prohibit the import or export of relevant goods or technologies for any of the following reasons: (1) the State needs to restrict or prohibit import or export in order to maintain national security, public interests or public morality; (2) the State needs to restrict or prohibit import or export in order to protect the health or safety of people, the lives or health of animals and plants, and the environment; (3) the State needs to restrict or prohibit import or export in order to implement measures related to gold or silver import and export; (4) the State needs to restrict or prohibit export due to short supply at home or in order to effectively protect natural resources that are likely to be exhaustible; (5) the State needs to restrict export due to the limited market capacity of importing countries or regions; (6) the State needs to restrict export due to the serious disorder of export; (7) the State needs to restrict import in order to establish or speed up establishing specific industries at home; (8) it is necessary to restrict the import of agricultural, animal husbandry and fishery products in any form; (9) the State needs to restrict import in order to maintain the State’s international financial status and balance of international payments; (10) the State needs to restrict or prohibit import or export for other reasons in accordance with the provisions of laws and administrative regulations; and (11) the State needs to restrict or prohibit import or export for other reasons in accordance with the provisions of international treaties and agreements that China has concluded or acceded to. Except for the prohibitions and restrictions on the scope of goods and techniques

that may be imported or exported, certain formalities shall also be gone through for the conduct of such activities. Under the Foreign Trade Law of the PRC and the Measures for the Record-Filing and Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》) promulgated by the MOFCOM on 25 June 2004 and amended on 8 August 2016, foreign trade operators which engage in the import and export of goods shall go through the formalities for record-filing and registration with the MOFCOM or an authority authorised by the MOFCOM, unless laws, administrative regulations and rules of the MOFCOM provide that it is unnecessary to go through such formalities. If foreign trade operators fail to go through the formalities for record-filing and registration in accordance with relevant provisions, the PRC customs authority shall refuse to handle the declaration and clearance formalities of their imports and exports. Pursuant to the Administrative Provisions of the Customs of the PRC on the Registration of Customs Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》) promulgated by the General Administration of Customs on 13 March 2014, coming into force on 13 March 2014, a consignor or consignee of imported and exported goods shall go through customs declaration entity registration formalities with the competent customs in accordance with the applicable provisions. A consignee or consignor of imported and exported goods may handle their own customs declarations at customs ports or localities where customs supervisory affairs are concentrated within the customs territory of the PRC.

Regulations on Taxation

Enterprise Income Tax

The Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》) (the “**EIT Law**”), enacted on 16 March 2007 and becoming effective on 1 January 2008 and amended on 24 February 2017, adopts a tax rate of 25% for all enterprises (including foreign-invested enterprises).

Pursuant to the Regulations on the Implementation of Enterprise Income Tax Law of the PRC (the “**Regulations on EIT Law**”) (《中華人民共和國企業所得稅法實施條例》) enacted on 6 December 2007 and coming into effect on 1 January 2008, a reduced enterprise income rate of 10% will be applicable to any dividends payable to the non-resident enterprise investors on the incomes derived from the PRC. Moreover, under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which became effective on 21 August 2006, the PRC resident enterprise which distributes dividends to its Hong Kong shareholders should be levied enterprise income tax according to the PRC law, however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds not less than 25% equity of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity of the aforesaid enterprise, the tax levied shall be 10% of the distributed dividends.

Value Added Tax

Pursuant to the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) promulgated on 13 December 1993, amended on 5 November 2008 and 6 February 2016, and the Detailed Rules for the Implementation of the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》) promulgated on 18 December 2008 and revised on 28 October 2011, all entities and individuals in the PRC engaging in sale of goods, processing and repair and replacement services, and import of goods are required to pay value added tax for the added value derived from the process of manufacture, sale or services. Unless stated otherwise, for Value Added Tax payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate shall be 17%.

Urban Maintenance and Construction Tax as well as Education Surcharge

Under the Provisional Regulation on Urban Maintenance and Construction Tax of the PRC (《中華人民共和國城市維護建設稅暫行條例》) promulgated by the State Council on 8 February 1985 and amended on 8 January 2011, any taxpayer, whether an entity or individual, of product tax, value-add tax or business tax shall be required to pay urban maintenance and construction tax based on the total amount of product tax, value-add tax or business tax paid by such taxpayer. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

Under the Provisional Provisions on Imposition of Education Surcharge (《徵收教育費附加的暫行規定》) promulgated by the State Council on 28 April 1986 and revised on 7 June 1990, 20 August 2005 and 8 January 2011, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall pay an education surcharge at a rate of 3% on the total amount of consumption tax, value-added tax or business tax paid by such entity, unless such obliged taxpayer is instead required to pay a rural area education surcharge as stipulated under the Notice of the State Council on Raising Funds for Schools in Rural Areas (《國務院關於籌措農村學校辦學經費的通知》).

The major categories of taxes currently applicable to Speed Apparel Shenzhen are enterprise income tax, value-added tax, urban maintenance and construction tax and education surcharge, the rates of which are 25%, 17%, 7% and 5% (including 2% of local education surcharge) respectively.

Regulations on Product Liability

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the “**Product Quality Law**”) which was promulgated by the SCNPC on 22 February 1993 and became effective on 1 September 1993 and amended on 8 July 2000 and 27 August 2009, is the principal law governing the supervision and administration of product quality.

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According to the Product Quality Law, manufacturers are liable for the quality of products they produce and sellers must take reasonable actions to ensure the quality of the products they sell.

The manufacturer shall be liable to compensate for any bodily harm or damage to property (other than the defective product itself) caused by the defective products of the manufacturer unless the manufacturer is able to prove that:

- the products have never been put into circulation;
- the defects causing the damage did not exist at the time when the product was circulated; or
- the state of scientific or technological knowledge at the time when the product was circulated was not such that it allowed the defect to be discovered.

The seller will be liable to compensate for any bodily harm or damage to property (other than the defective product itself) caused by the defective products it sold if such defect is attributable to the seller. A person who is harmed or whose property is damaged by the defective product may claim such loss against the manufacturer or the seller.

Pursuant to the General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》), which was promulgated by the National People's Congress of the PRC on 12 April 1986 and became effective on 1 January 1987 and amended on 27 August 2009, both manufacturers and sellers shall be held jointly liable for losses and damage suffered by the injured parties caused by the defective products they manufactured or sold.

The Tort Liability Law of the PRC (《中華人民共和國侵權責任法》), which was promulgated by the SCNPC on 26 December 2009 and became effective on 1 July 2010, provides that if a product endangers a person's life or property due to its defect, the manufacturers and the sellers shall bear liability in torts.

Regulations on Foreign Exchange

Control of Foreign Exchange

Foreign currency exchange in the PRC is primarily governed by two administrative regulations, namely, the Regulations of the PRC on Foreign Exchange Control (the “**Foreign Exchange Regulations**”) (《中華人民共和國外匯管理條例》), promulgated by the State Council on 29 January 1996, amended on 14 January 1997 and 1 August 2008 respectively, and the Regulations on the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), promulgated by the People's Bank of China on 20 June 1996. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange. Overseas institutions or individuals that directly invest in the PRC shall go through registration

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formalities at foreign exchange control authorities after receiving approval from relevant competent authorities. Domestic institutions or individuals that engage in overseas direct investment shall go through foreign exchange registration formalities.

Regulations on Labor and Social Insurance

Under the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “**Labor Contract Law**”) promulgated on 29 June 2007 and amended on 28 December 2012, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force the laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with national regulations. In addition, the requirement of entry into fixed term employment contracts and dismissal of employees is very strict.

The Group’s PRC subsidiary is also subject to the employee welfare rules and regulations set out in the Regulations on Work-Related Injury Insurance (《工傷保險條例》), which was promulgated by State Council on 27 April 2003, came into force on 1 January 2004 and was amended on 20 December 2010. Enterprises shall purchase work-related injury insurance, paying work-related injury insurance premiums for all their employees. Where an employee is injured in an accident or suffers from an occupational disease due to his work and needs treatment, his treatment will be paid for by the insurance company. The employee also enjoys disability subsidy if any injury results in disability.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the Standing Committee on 28 October 2010 which became effective on 1 July 2011, the state establishes social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance so as to protect the right of citizens in receiving material assistance from the State and the society in accordance with the law when getting old, sick, injured at work, unemployed and giving birth. Employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. An employer shall, within 30 days after its establishment, register with the local social insurance agency.

Pursuant to the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), becoming effective on 22 January 1999, enterprises with employees shall carry out social insurance registration at the local social insurance agency and participate in social insurance programs. Such participants shall report to the social insurance agency the amount of social insurance premiums payable and pay its social insurance premiums every month within the prescribed time limit upon assessment of the social insurance agency. If a premium paying entity fails to carry out social insurance registration, changes its registration or cancels its registration, or fails to report the amount of

social insurance premiums payable, the administrative department of labour and social security can order it to rectify the situation by paying the outstanding premium within the prescribed time limit.

Regulations on Housing Provident Fund

Enterprises and the employees should pay the house accumulation fund pursuant to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), which was issued by the State Council on 3 April 1999, and the amendment came into force on 24 March 2002. Under this regulation, an employer shall go to the housing provident fund management center to undertake registration of payment and deposit of the housing provident fund and, upon verification by the housing provident fund management center, go to a commissioned bank to go through the formalities of opening housing provident fund accounts on behalf of its staff and workers. An employer shall, within 30 days after its establishment, register with the housing provident fund management center. When employing new staff or workers, the employers shall undertake housing provident fund payment and deposit registration at a housing provident fund management center within 30 days from the date of the employment, and shall go through the formalities of opening or transferring housing provident fund accounts of staff and workers at a commissioned bank with the verified documents of the housing provident fund management center. The housing accumulation funds deposited by an individual employee and those deposited by the enterprises shall be owned by the employee himself. Housing accumulation funds shall be used by employees to buy or build houses, rebuild or overhaul houses for self-dwelling, and shall not be misappropriated by any entity or individual for any other purpose.

Circular No. 37

On 4 July 2014, SAFE promulgated the Circular on Relevant Issues Concerning the Foreign Exchange Administration over the Overseas Investment, Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**Circular No. 37**”), and became effective on the same day. Pursuant to the Circular No. 37, SAFE and its branches shall enforce registration management for establishment of Special Purpose Vehicles by domestic residents, including domestic institutions and domestic resident individuals, and domestic resident individuals shall refer to Chinese citizens holding the identity cards for Chinese domestic residents, military identity certificates or identity certificates for armed police force, and overseas individuals that do not hold any domestic legitimate identity certificates but have habitual residences within the territory of the PRC due to relationships of economic interests. Prior to contributing domestic and overseas legitimate assets or interests to a Special Purpose Vehicle, a domestic resident shall apply to SAFE for foreign exchange registration of overseas investment. Where a registered overseas Special Purpose Vehicle undergoes changes of its domestic resident individual shareholders, name, operating period or other basic information, or experiences substantial changes including without limitation the

increase or reduction of registered capital by domestic resident individuals, transfer or replacement of equity and merger or split, the Special Purpose Vehicle shall go through modification registration of foreign exchange for overseas investment with SAFE.

Dividend Distribution

The principal laws and regulations governing dividends distribution of foreign holding companies include the Company Law of the PRC (《中華人民共和國公司法》), the Foreign-invested Enterprise Law of the PRC (《中華人民共和國外資企業法》), and the Implementation Rules of the Foreign-Invested Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》). Under these laws and regulations, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign-invested enterprises in the PRC, such as the Group's PRC subsidiary, must allocate at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors

Pursuant to the Provisions of the Ministry of Commerce on M&A of a Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) jointly issued by the Ministry of Commerce of the PRC, the State-owned Assets Supervision and Administration Commission of the State Council, SAT, the China Securities Regulatory Commission (the “**CSRC**”), the State Administration for Industry & Commerce and SAFE on 8 September 2006, effective as of 8 September 2006 and amended on 22 June 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in PRC companies in exchange for the shares of offshore companies.

OTHER LAWS AND REGULATIONS

During the Track Record Period, the Group provided apparel supply chain management services to its overseas customers located in Japan, South Africa, the USA, and Australia primarily on FOB terms (at the Hong Kong ports) in accordance with its overseas customers' specifications. Accordingly, these overseas customers were responsible for the registered customs entries of the Group's products to those overseas countries and they were responsible for ensuring the products meet the relevant overseas laws and regulations (including import duties, product safety and anti-dumping regulations, etc.). In some cases, the Group is required to observe applicable laws and regulations in Japan including the Product Liability Act (Act No. 85 of 1 July 1994). In respect of the Product Liability Act, if the relevant member of the Group manufactures the defect product, or indicates its name to lead its consumers believe that the Group is the manufacturer of the product with defect, such member of the Group may be liable for compensation for damages reasonably caused by defect (i.e. lack of safety that the product shall originally provide, taking into account the nature of the product, the time when the manufacturer delivered the product and other circumstances). Details of the product examination arrangements with respect to the Group's products are disclosed in the section headed "Business — Apparel supply chain management services — Quality control" in this prospectus. Therefore, the Directors do not believe that the Group is exposed to material liabilities as a result of any such regulation once the products delivered can meet the Group's customers' specifications and the Directors further confirm that they have not received any product liability claims by its customers.

Japanese laws and regulations

Apart from providing apparel supply chain management services to customers located in Japan, the Group intends to incorporate a new operating entity in Japan with a design team and an account servicing team to assist with the operation locally as part of the business strategies. For details, please refer to the section headed "Business — Business strategies" in this prospectus. Japan has accepted a civil law system. The laws that are most relevant to such establishment and subsequent business operation are set forth below:

Companies Act (Act No. 86 of 2005, as amended)

The Companies Act regulates the incorporation, internal organs, operation and liquidations, etc., of a company incorporated in Japan. The Group may incorporate a foreign investment enterprise in Japan by applying for and obtaining the registration of such company in the relevant legal bureau in Japan. There is no particular laws and regulations on incorporation of a foreign investment company in Japan. The procedure for such incorporation by foreigner is same with that by Japanese person or company, except the post notification (or in limited circumstances prior notification or approval) to the Bank of Japan is required with respect to the incorporation of a company by foreigner. Therefore, the Group shall not encounter any legal impediment in incorporating a foreign investment company in Japan upon compliance of relevant procedural requirements.

REGULATORY OVERVIEW

Customs Act (No. 61 of 1954, as amended)

The Customs Act and other relevant laws and regulations provides for the types of goods import of which is prohibited or restricted, import quotas. The products of the Group imported in Japan have not been the type of goods import of which is so prohibited or restricted.

Customs Tariff Act (No. 54 of 1910, as amended)

The Customs Tariff Act sets forth the rates, imposition standards and reduction and exemption of import duty, including special duty such as anti-dumping duty and safeguard duty. An Importer in Japan is required to report and pay the import duty for importing a product which is subject to import duty in accordance with this Act.

Product Liability Act (Act No. 85 of July 1, 1994)

The Product Liability Act sets forth the liabilities of a manufacturer or importer for damages caused by defects in a product. A seller who was not involved in the manufacturing or import of a product could still be liable under this Act if its name was indicated on the product and consumers are led to believe that the seller was the manufacturer or importer. Liability under this Act can be imposed even if the manufacturer or importer (and the said seller) was not negligent.

Labor Laws

There are various labor-related laws enacted in Japan, including the Labor Standards Act (Act No. 49 of April 7, 1947, as amended), the Industrial Safety and Health Act (Act No. 57 of 1972, as amended), and the Labor Contract Act (Act No. 128 of December 5, 2007). The Labor Standards Act regulates, among others, minimum standards for working conditions such as working hours, leave period and leave days. The Industrial Safety and Health Act requires, among others, the implementation of measures to secure employee safety and protect the health of workers in the workplace. The Labor Contract Act regulates, among others, the change of terms of employment contracts and working rules, dismissal and disciplinary action.

Consumption Tax Act (Act No. 47 of May 19, 1993, as amended)

The Consumption Tax Act provides for a multi-step, broad-based tax imposed on most transactions in goods and services in Japan. Consumption tax is assessed at each stage of the manufacturing, importing, wholesale and retail process. The current consumption tax rate is 8% (6.3% imposed as national tax and 1.7% as local tax). The Japanese government announced its intention to increase the consumption tax to 10% (7.8% imposed as national tax and 2.2% as local tax) with effect from October 2019.

REGULATORY OVERVIEW

Corporation Tax Act (Act No. 34 of March 31, 1965, as amended)

The Corporation Tax Act applies to income generated by the activities of a corporation in Japan and shall be applicable to the new operating entity shall there be any income generated. The statutory tax rate of the corporation tax is currently 29.97% and the actual tax rate to be applicable to the new operating entity may differ depending upon the actual situations on its size, location, revenue, etc.

Trademark Act (Act No. 127 of April 13, 1959, as amended)

The Trademark Act aims to protect registered trademarks. A holder of registered trademark right or an exclusive licensee thereof may demand a person who infringes or is likely to infringe the trademark right or the exclusive right to use to stop or prevent such infringement.

Design Act (No. 125 of April 13, 1959, as amended)

The Design Act aims to promote the protection and utilisation of design. It protects registered designs. A holder of a registered design right or an exclusive licensee thereof may demand of a person who infringes or is likely to infringe the design right or exclusive license to stop or prevent such infringement.

Foreign Exchange and Foreign Trade Act (No. 228 of December 1, 1949, as amended)

The Foreign Exchange and Foreign Trade Act aims to promote and control foreign exchange and foreign trade activities. No specific restriction under Japanese laws applies to the payment and remittance to the Group by its customers located in Japan of purchase price of the types of goods sold by the Group to such customers. A post notification to the Bank of Japan shall be made under this law by 15th days of the month immediately following the month in which the Company establishes its subsidiary in Japan.

BUSINESS AND CORPORATE DEVELOPMENT

Overview

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 19 November 2015 in preparation for Listing and is the holding company of the Group. As at the Latest Practicable Date, the subsidiaries of the Company comprised Knit World, Speed Apparel HK, Speed Apparel Shenzhen and Speed Apparel BVI. Details of these subsidiaries and the corporate structure of the Group are set out in the subsection headed “The Group’s structure and corporate development” below under this section.

Prior to the Listing, the Group underwent the Reorganisation and immediately following the completion of the Reorganisation, the entire issued share capital of the Company was owned by Speed Development, which is in turn wholly and beneficially owned by Mr. Chan.

Immediately following the completion of the Capitalisation Issue and the Share Offer, Mr. Chan will effectively hold, through Speed Development, 75% of the voting rights in the Company (without taking into account any Shares which will be allotted and issued upon exercise of any option(s) which may be granted under the Share Option Scheme).

Business development

The Group’s history can be traced back to May 1999 when Speed Apparel was established by Ms. Cheung, the spouse of Mr. Chan, and two Independent Third Parties. Since the inception stage, the Group has focused on merchandising and selling knitwear with comprehensive production management and logistic services. In 2001, Mr. Chan left his previous job and joined Speed Apparel and was appointed as a director. Mr. Chan has been responsible for the management and operation of the Group’s business since he joined the Group. Please refer to the section headed “Directors and senior management — Directors” in this prospectus for the biographical details of Mr. Chan. The Group confirmed the sales order and commenced sales to one of its major customers in late 2001. Since then, the Group has successfully expanded its clientele base in order to strengthen the Group’s position in the Japan market.

To offer the customers with value-added service and to further expand the product offerings, the Group has set up a design and promotion department to cater for the customers’ procurement need. Over the years, the Group has grown to a one-stop solutions provider offering apparel supply chain management services including fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and logistic services.

On 31 December 2015, Speed Apparel as vendor, Speed Apparel HK as purchaser and Mr. Chan as warrantor entered into the Business Transfer Agreement 1 pursuant to which Speed Apparel agreed to transfer the Speed Garment Business and certain assets and liabilities to Speed Apparel HK for a total consideration of approximately HK\$8,167,788, which was based on the carrying value of the Speed Garment Business and assets and liabilities as at 27 January 2016 and

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

has been settled by Speed Apparel HK by way of waiver which was recognised as deemed distribution to Mr. Chan. For details of the respective accounting treatments please refer to the section headed “A. Financial information — Consolidated statements of changes in equity” in Appendix I to this prospectus. Completion of Business Transfer 1 took place on 1 February 2016.

On 31 December 2015, Firenze Apparel as vendor, Speed Apparel HK as purchaser and Mr. Chan as warrantor entered into the Business Transfer Agreement 2 pursuant to which Firenze Apparel agreed to transfer the Firenze Garment Business and certain assets and liabilities to Speed Apparel HK for a total consideration of approximately HK\$8,847,566, which was based on the carrying value of the Firenze Garment Business and assets and liabilities as at 27 January 2016 and has been settled by Speed Apparel HK by way of waiver which has recognised as deemed distribution to Mr. Chan. For details of the respective accounting treatments please refer to the section headed “A. Financial information — Consolidated statements of changes in equity” in Appendix I to this prospectus. Completion of Business Transfer 2 took place on 1 February 2016.

Since Mr. Chan, the sole beneficial owner of Speed Apparel and Firenze Apparel, would like to retain his ownership in the Eldex Properties and the Gemstar Property, in view of (i) the intra group relief under section 45 of the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) is not applicable for Mr. Chan to transfer the aforesaid properties to the Group; and (ii) the stamp duty which would therefore have been chargeable if the aforesaid properties were to be transferred from Speed Apparel and Firenze Apparel to the Group which was estimated to be over HK\$8.5 million, Mr. Chan decided to continue to hold the Eldex Properties and the Gemstar Property under Speed Apparel and Firenze Apparel, respectively, and to convert Speed Apparel and Firenze Apparel into pure investment holding companies. The Directors believe that such arrangement provides the Group more flexibility in allocation of resources and better control of its investment risks. In addition, Mr. Chan would like to retain his golf club membership owned by Firenze Apparel, in view of the transfer fee (which is estimated to be HK\$3 million) and lengthy procedures if the golf club membership had been transferred to Mr. Chan. Therefore, as part of the Reorganisation, the Speed Garment Business carried on by and certain assets and liabilities of Speed Apparel and the Firenze Garment Business carried on by and certain assets and liabilities of Firenze Apparel were transferred to Speed Apparel HK on 1 February 2016 pursuant to the Business Transfer Agreement 1 and Business Transfer Agreement 2, respectively.

Milestones of the Group

The chronological overview of the key events of development of the Group is set out below:

Date	Milestone
1999	Speed Apparel was incorporated in Hong Kong on 17 May 1999
2001	Commenced sales to the parent company of Mitsubishi Corporation Fashion Co., Ltd. for various young fashion brands

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Date	Milestone
2002	Knit World was incorporated in Hong Kong on 20 February 2002
2003	Set up a design and promotion department with an aim to providing design services to customers
2004	Firenze Apparel was incorporated in Hong Kong on 18 June 2004
2005	Commenced sales to Toyoshima and Co., Ltd. for various fashion brands
2007	Commenced sales to Marubeni for various fashion brands
2008	Commenced sales to World Production Partners Co., Ltd for various fashion brands
2009	Commenced sales to Customer F for various fashion brands
2012	Commenced sales to a Japanese leisure and casual brand through Marubeni
2015	<p>The Group received the “Best Partner Award” by Marubeni’s Client, which is a Japanese leisure and casual brand ranked third in terms of retail value in Japanese apparel retail industry in 2015</p> <p>Speed Apparel HK was incorporated in Hong Kong on 26 November 2015</p>
2016	<p>The Speed Garment Business carried on by and certain assets and liabilities of Speed Apparel and Firenze Garment Business carried on by and certain assets and liabilities of Firenze Apparel were transferred to Speed Apparel HK under the Business Transfer 1 and Business Transfer 2</p> <p>Speed Apparel Shenzhen was established in the PRC as a wholly foreign-owned enterprise, the entire equity interest of which is held by Speed Apparel HK. Speed Apparel Shenzhen principally engages in the business of apparel supply chain management services in the PRC</p>

THE GROUP'S STRUCTURE AND CORPORATE DEVELOPMENT

The Company was incorporated in the Cayman Islands on 19 November 2015 as an exempted company with limited liability and a share capital of HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each. The Company was registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on 15 July 2016. Upon the completion of the Reorganisation, it became the ultimate holding company of the Group with the business conducted through the operating subsidiaries of the Group. Set forth below is the history of the operating subsidiaries of the Group:

The major operating entities prior to the Business Transfer 1 and the Business Transfer 2

Speed Apparel

Speed Apparel is a company which was incorporated in Hong Kong with limited liability on 17 May 1999. Upon incorporation, Mr. Hui Chung Ming (“**Mr. Hui**”), Mr. Leung Wei Yang, Kennist (“**Mr. Leung**”) who are Independent Third Parties, and Ms. Cheung, each held one fully-paid subscriber share of Speed Apparel. On 8 June 1999, 3,332 shares, 3,332 shares and 3,332 shares of Speed Apparel were allotted and issued at par to Mr. Hui, Mr. Leung and Ms. Cheung, respectively. On 4 December 2001, one share was allotted and issued at par to Mr. Chan. On 5 December 2001, Mr. Leung transferred 1,666 shares and 1,667 shares of Speed Apparel to Mr. Chan and Mr. Hui, respectively, at the consideration of HK\$1 per share with reference to the then par value. On the same date, Ms. Cheung transferred 3,333 shares of Speed Apparel to Mr. Chan at the consideration of HK\$1 per share with reference to the then par value. On 5 October 2007, Mr. Hui transferred 5,000 shares of Speed Apparel being his entire shareholding in Speed Apparel to Mr. Chan at the total consideration of HK\$6,000,000 based on arm's length negotiation between the parties. After completion of such transfer, Speed Apparel became 100% legally and beneficially owned by Mr. Chan. On 1 February 2016, as part of the Reorganisation, the Speed Garment Business carried on by and certain assets and liabilities of Speed Apparel were transferred to Speed Apparel HK in accordance with the Business Transfer Agreement 1.

Speed Apparel commenced business in May 1999 and mainly provided apparel supply chain management services prior to the Business Transfer 1. Upon completion of the Business Transfer 1, Speed Apparel became an investment holding company. Speed Apparel is not a member of the Group.

Firenze Apparel

Firenze Apparel is a company which was incorporated in Hong Kong with limited liability on 18 June 2004. Such company has been 100% legally and beneficially owned by Mr. Chan since incorporation. On 1 February 2016, as part of the Reorganisation, the Firenze Garment Business carried on by and certain assets and liabilities of Firenze Apparel were transferred to Speed Apparel HK in accordance with the Business Transfer Agreement 2.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Firenze Apparel commenced business in June 2004 and mainly provided apparel supply chain management services prior to the Business Transfer 2. Upon completion of the Business Transfer 2, Firenze Apparel became an investment holding company. Firenze Apparel is not a member of the Group.

The subsidiaries and operating entity after the Business Transfer 1 and the Business Transfer 2

Speed Apparel BVI

Speed Apparel BVI was incorporated in the BVI with limited liability on 13 November 2015 and is authorised to issue a maximum of 50,000 shares each with a par value of US\$1. Immediately following its incorporation, Mr. Chan subscribed for 100 fully paid shares of Speed Apparel BVI for the issue price of US\$1 per Share, which were then transferred to the Company for the consideration of US\$100 on 8 December 2015. Upon completion of the aforesaid transfer, Speed Apparel BVI became the wholly-owned subsidiary of the Company. Speed Apparel BVI is an investment holding company.

Speed Apparel HK

Speed Apparel HK is a major operating subsidiary of the Group. On 26 November 2015, it was incorporated in Hong Kong with limited liability. Upon its incorporation, Speed Apparel BVI subscribed for 10,000 shares of Speed Apparel HK as first subscriber at a subscription price of HK\$1 per share. Upon completion of the aforesaid subscription, Speed Apparel HK became a wholly-owned subsidiary of Speed Apparel BVI. Speed Apparel HK principally provides apparel supply chain management services in Hong Kong.

Knit World

Knit World is an operating subsidiary of the Group and was incorporated in Hong Kong on 20 February 2002 with limited liability. Upon its incorporation, Mr. Chan and Mr. Hui each subscribed for one share of Knit World as first subscribers at a subscription price of HK\$1 each. On 25 February 2002, 4,999 shares and 4,999 shares were allotted and issued to Mr. Chan and Mr. Hui respectively at par value of HK\$1 each. On 1 April 2004, 5,000 shares of Knit World were allotted and issued to Mr. Wong Kun Ching, Billy (“**Mr. Wong**”) at par value of HK\$1 each. On 23 December 2005, Mr. Wong transferred his 2,500 shares and 2,500 shares of Knit World to Mr. Chan and Mr. Hui, respectively, at par value of HK\$1 each. On 5 November 2007, Mr. Hui transferred all his 7,500 shares in Knit World to Mr. Chan at par value of HK\$1 each. On 23 September 2008, 800,000 shares and 2,385,000 shares of Knit World were allotted and issued at par value to Ms. Cheung and Mr. Chan, respectively. On the same date, 800,000 shares were allotted and issued to GA Investment Co. Ltd.. (“**GA Investment**”), a Japanese company and an Independent Third Party, at the total consideration of HK\$800,000 based on the par value of HK\$1 each. GA Investment held its 800,000 shares of Knit World on trust for Mr. Chan for the proposed business cooperation between the parties. On 1 June 2009, due to the commercial decision of GA Investment not to proceed with the business cooperation, GA Investment returned its 800,000 shares to Mr. Chan at Mr. Chan’s direction under the respective trust arrangement. Prior to the

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

completion of the Reorganisation, Knit World was held as to 3,200,000 shares and 800,000 shares by Mr. Chan and Ms. Cheung, respectively. As further particularised in the paragraph headed “Reorganisation — Acquisition of Knit World by the Company” in this section below, following the purchase of all issued shares of Knit World on 18 May 2016 by the Company, through Speed Apparel BVI, Knit World became a wholly-owned subsidiary of Speed Apparel BVI. With effect from 3 March 2014, pursuant to section 135 of the Companies Ordinance, the shares of Knit World ceased to have any nominal value.

As at the Latest Practicable Date, Knit World principally engages in the provision of apparel supply chain management services to customers in South Africa, the USA, and Australia.

Speed Apparel Shenzhen

Speed Apparel Shenzhen is an operating subsidiary of the Group and was established in Shenzhen, the PRC under the laws of the PRC on 23 February 2016 by Speed Apparel HK as a wholly foreign-owned enterprise. It has limited liability and a registered and paid up capital of RMB800,000.

As at the Latest Practicable Date, Speed Apparel Shenzhen principally engages in the business of apparel supply chain management services in the PRC.

REORGANISATION

In preparing for the Listing, the Group underwent the Reorganisation with the following steps:

(a) Step 1 — Incorporation of the corporate Shareholder

Speed Development was incorporated in the BVI with limited liability on 12 November 2015. Speed Development is authorised to issue a maximum of 50,000 shares each with a par value of US\$1. Upon incorporation, Mr. Chan subscribed for 100 fully paid shares of Speed Development for the issue price of US\$100.

(b) Step 2 — Incorporation of Speed Apparel BVI

Speed Apparel BVI was incorporated in the BVI with limited liability on 13 November 2015. Speed Apparel BVI is authorised to issue a maximum of 50,000 shares each with a par value of US\$1. Following incorporation, Mr. Chan subscribed for 100 fully paid shares of Speed Apparel BVI for the issue price of US\$1 per share, which were then transferred to the Company for the consideration of US\$100 on 8 December 2015.

(c) Step 3 — Incorporation of the Company

- (i) The Company was incorporated in the Cayman Islands on 19 November 2015 as an exempted company with limited liability and is the ultimate holding company of the Group. The authorised share capital of the Company was HK\$390,000 divided into 39,000,000 Shares each with a par value of HK\$0.01. Upon incorporation, Mr.

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Craig Fulton, being the initial subscriber of the Company, held the first fully paid subscriber's Share which was then transferred to Mr. Chan immediately. Mr. Chan transferred his fully paid Share in the Company to Speed Development for the consideration of HK\$0.01 on 8 December 2015. Upon completion of the aforesaid transfer, the Company became a wholly-owned subsidiary of Speed Development.

- (ii) The Company was registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong Company on 15 July 2016.

(d) Step 4 — Incorporation of Speed Apparel HK

On 26 November 2015, Speed Apparel HK was incorporated in Hong Kong with limited liability and Speed Apparel BVI subscribed for 10,000 shares of Speed Apparel HK as first subscriber at a subscription price of HK\$1 per share. As a result, Speed Apparel HK became a wholly-owned subsidiary of Speed Apparel BVI.

(e) Step 5 — Incorporation of Speed Apparel Shenzhen

On 23 February 2016, Speed Apparel Shenzhen was established in Shenzhen, the PRC under the laws of the PRC by Speed Apparel HK as a wholly foreign-owned enterprise. It has limited liability and a registered and paid up capital of RMB800,000. Upon its establishment, Speed Apparel Shenzhen became a wholly-owned subsidiary of Speed Apparel HK.

(f) Step 6 — Transfer of business

- (i) On 31 December 2015, Speed Apparel as vendor, Speed Apparel HK as purchaser and Mr. Chan as warrantor entered into the Business Transfer Agreement 1, pursuant to which Speed Apparel agreed to sell and Speed Apparel HK agreed to purchase the Speed Garment Business and the assets and liabilities owned or held as security by Speed Apparel and utilised in the Speed Garment Businesses (except for the (i) Eldex Properties, (ii) mortgages associated with the Eldex Properties, (iii) securities investment, and (iv) a motor vehicle and the finance lease arrangement associated with it owned by Speed Apparel) for a consideration of approximately HK\$8,167,788. Such consideration was based on the carrying value of the Speed Garment Business and assets and liabilities as at 27 January 2016 and has been settled by Speed Apparel HK by way of waiver. Completion of Business Transfer 1 took place on 1 February 2016.
- (ii) On 31 December 2015, Firenze Apparel as vendor, Speed Apparel HK as purchaser and Mr. Chan as warrantor entered into the Business Transfer Agreement 2, pursuant to which Firenze Apparel agreed to sell and Speed Apparel HK agreed to purchase the Firenze Garment Business and the assets and liabilities owned or held as security by Firenze Apparel and utilised in the Firenze Garment Businesses (except for the (i) Gemstar Property, (ii) mortgage associated with the Gemstar

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Property, and (iii) investment in two golf club memberships and the term loan for one of the golf club memberships owned by Firenze Apparel) for a consideration of approximately HK\$8,847,566. Such consideration was based on the carrying value of the Firenze Garment Business and assets and liabilities as at 27 January 2016 and has been settled by Speed Apparel HK by way of waiver. Completion of Business Transfer 2 took place on 1 February 2016.

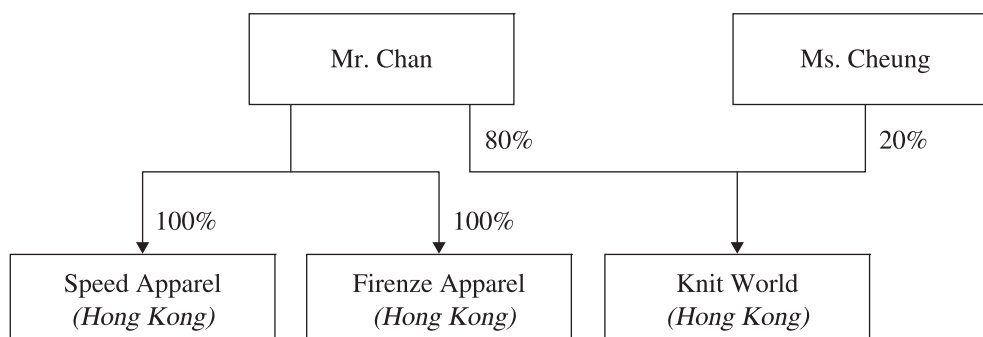
(g) Step 7 — Acquisition of Knit World by the Company

- (i) On 17 May 2016, Ms. Cheung assigned all her 800,000 shares in Knit World to Mr. Chan at the total consideration of HK\$1.
- (ii) On 18 May 2016, Mr. Chan (as vendor), Speed Development (as nominee of Mr. Chan), the Company (as holding entity of purchaser) and Speed Apparel BVI (as purchaser) entered into a sale and purchase agreement, pursuant to which Speed Apparel BVI, purchased from Mr. Chan all issued shares of Knit World, in consideration of which Speed Development allotted and issued one share to Mr. Chan on 18 May 2016 which is in consideration of the Company allotting and issuing one Share to Speed Development on 18 May 2016 and Speed Apparel BVI in turn allotting and issuing one share to the Company on 18 May 2016. The Company further allotted and issued 8,998 Shares to Speed Development for the consideration of HK\$0.01 each on 24 May 2016. As a result, Knit World became a wholly-owned subsidiary of Speed Apparel BVI.

As confirmed by the Directors, each of the shares transfer made in the Reorganisation was properly and legally completed and settled. No approval is required from the relevant regulatory authorities.

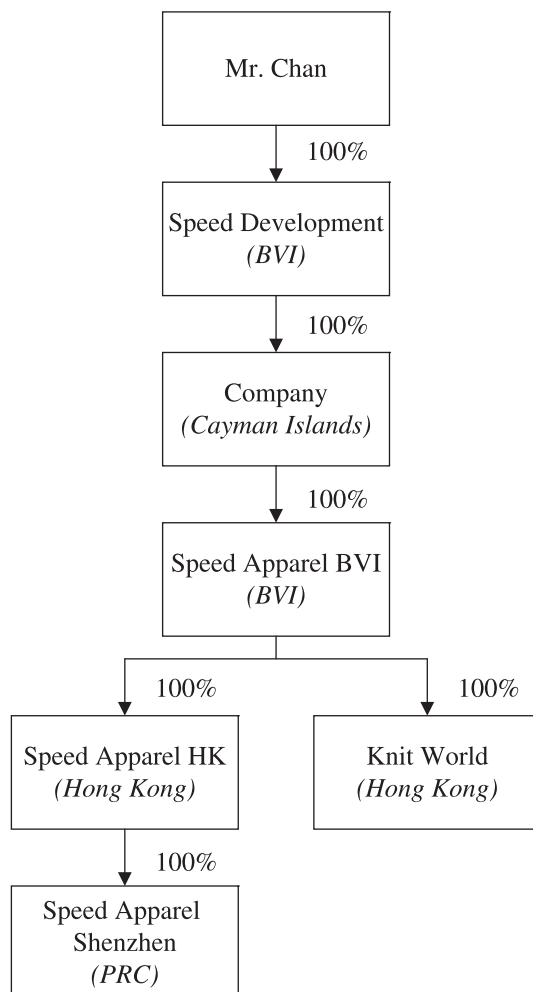
CORPORATE STRUCTURE

The following charts illustrate the corporate structure of the Group immediately prior to the Reorganisation:



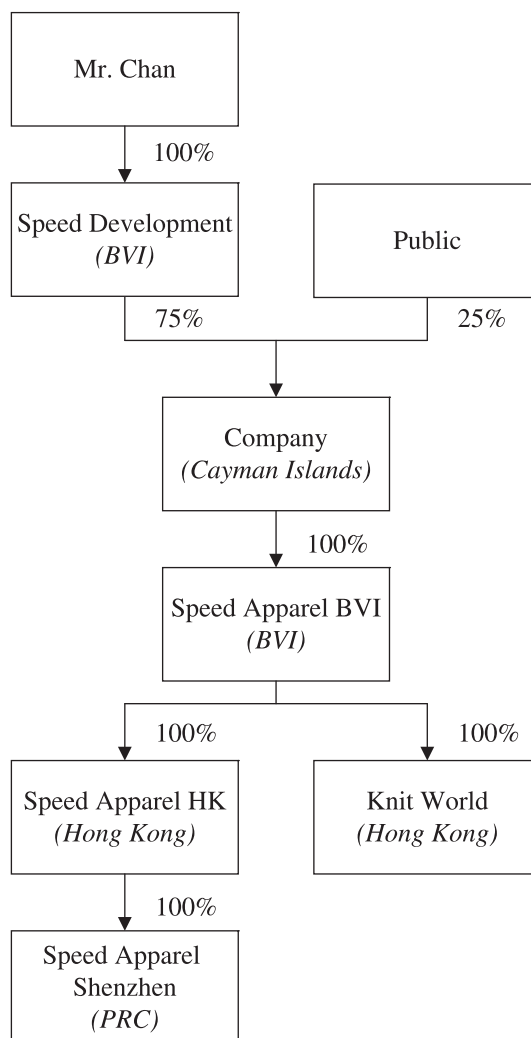
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following charts illustrate the corporate structure of the Group immediately following completion of the Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following charts illustrate the corporate structure of the Group immediately following completion of the Capitalisation Issue and the Share Offer (but not taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme):



BUSINESS

OVERVIEW

The Group is an apparel supply chain management services provider. Headquartered in Hong Kong, the Group principally sells knitwear products predominately in the Japan market. The Group provides one-stop apparel supply chain management solutions for its customers ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and logistics services. The Group's customers are mainly owners or sourcing agents of apparel retail brands based in Japan, which products are marketed and sold under their own brands. Mr. Chan, an executive Director, the chairman of the Board and the chief executive officer of the Company, has over 25 years of experience in apparel market and was dispatched to Japan from March 1993 to February 1994 before joining the Group. Mr. Chan together with some of the Group's senior management and merchandising team members are proficient in or have knowledge of Japanese, which enables the Group to communicate well with the customers and brand owners from Japan.

During the Track Record Period, the Group's revenue was mainly derived from the sales of knitwear products such as pullovers, cardigans, vests and skirts with the provision of apparel supply chain management services to its customers. The following table sets out a breakdown of the Group's revenue by types of knitwear products during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Pullovers	242,869	61.0	293,749	67.5	205,182	78.0	238,226	76.4
Cardigans	137,239	34.5	129,709	29.8	52,097	19.8	66,665	21.4
Other knitwear products								
(Note)	17,860	4.5	11,748	2.7	5,670	2.2	6,734	2.2
	<u>397,968</u>	<u>100.0</u>	<u>435,206</u>	<u>100.0</u>	<u>262,949</u>	<u>100.0</u>	<u>311,625</u>	<u>100.0</u>

Note: Other knitwear products comprise vests, skirts, dresses, overalls, pants, ponchos, jackets, neck warmers and scarfs.

Majority of the Group's products were sold to customers in Japan, amounted to approximately HK\$367.3 million, HK\$390.8 million and HK\$288.9 million for each of the Track Record Period, which accounted for approximately 92.3%, 89.8% and 92.7% of the Group's total revenue, respectively. The Group does not possess its own labels. All the Group's knitwear products are manufactured in accordance with the specifications and requirements set out by the Group's customers in the sales orders, some designs of which are recommended or inspired by the Group.

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Through collaboration with its customers, the Group leverages its extensive knitwear fashion exposure and experience to accommodate their needs (including design preferences, knitwear styles and application of materials) in view of market trends. At the start of two main fashion seasons (i.e. spring/summer and autumn/winter) and from time to time, the Group will in-advance provide and recommend new product designs and inspirations to its customers based on the upcoming fashion trends through presentations and face-to-face meetings. During the Track Record Period, the design and promotion department formulated or developed over 100 new knitwear designs in each main fashion season. According to the feedback from the customers, the Group then modifies the product design and specifications in respect of colour tone, selection of raw materials and styling. Alternatively, the customers may provide their own designs to the Group. As part of the apparel supply chain management services, the Group suggests types of yarn to be used in the knitwear designs provided by the Group or the customers' own designs. The Group also provides the products samples, which are produced by the third-party manufacturers, for the customers' consideration. The purchase orders will be placed in bulk once all the production details including but not limited to the production schedule, production specifications and other specific requirements are confirmed by the customers.

During the Track Record Period, all of the knitwear products were produced by the third-party manufacturers engaged by the Group. The Group has maintained an established relationship with a number of third-party manufacturers and implemented quality control procedures throughout the production process. The Group's merchandising department closely follows up with and provides technical advice to the third-party manufacturers at various stages of the production process. To ensure that the quality of the knitwear products conforms to the customers' specification, final quality inspection is performed by the third-party inspection centre before packaging for delivery. The Group also manages the logistic arrangements of finished knitwear products from third-party manufacturers to customers.

The Group's knitwear products can be divided into two categories, namely womenswear and menswear. During the Track Record Period, the Group's revenue was mainly derived from the sales of womenswear, representing approximately 90.6%, 83.5% and 77.9% of the Group's total revenue respectively. The following table sets out a breakdown of the Group's revenue during the Track Record Period by categories:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Womenswear	360,390	90.6	363,294	83.5	206,459	78.5	242,803	77.9
Menswear	37,578	9.4	71,912	16.5	56,490	21.5	68,822	22.1
	<u>397,968</u>	<u>100.0</u>	<u>435,206</u>	<u>100.0</u>	<u>262,949</u>	<u>100.0</u>	<u>311,625</u>	<u>100.0</u>

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During the Track Record Period, majority of the Group's knitwear products were sold to Japan. The Group's products were also sold to Hong Kong, the PRC, Taiwan, France, the USA, Australia and South Africa. The following table sets out a breakdown of the Group's revenue by geographical segments (according to the locations where the Group's products were sold) during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Japan	367,251	92.3	390,801	89.8	235,865	89.7	288,884	92.7
Hong Kong	22,595	5.7	29,515	6.8	17,904	6.8	14,473	4.6
The PRC	4,533	1.1	10,736	2.5	6,056	2.3	7,076	2.3
Other locations								
(Note)	3,589	0.9	4,154	0.9	3,124	1.2	1,192	0.4
	<u>397,968</u>	<u>100.0</u>	<u>435,206</u>	<u>100.0</u>	<u>262,949</u>	<u>100.0</u>	<u>311,625</u>	<u>100.0</u>

Note: Other locations comprise Taiwan, France, the USA, Australia and South Africa.

MARKET AND COMPETITION

According to the Euromonitor Report, the apparel supply chain management industry in Hong Kong is highly competitive and fragmented populated with a large number of firms ranging from multinational companies to smaller specialist and small scale firms. The apparel supply chain management market in Hong Kong is driven by (i) Hong Kong firms' profound knowledge of and experiences in apparel supply chain management; (ii) Hong Kong's close relationship with its trading partners; and (iii) industrialisation of other Asian economies. On the other hand, the majority of the Group's products were sold to customers in Japan. According to the Euromonitor Report, the key drivers for apparel retail industry in Japan will be, amongst others, (i) rising expenditure by foreign tourists on apparel in Japan; and (ii) growth in online retailing helping to encourage purchases of apparel products. The expenditure on apparel products was recorded as the third highest expenditure category for tourists in 2015, at JPY38,841 per person whilst online retailing has been taking off in Japan over the past decade with increasing number of Japanese consumers moving away from retail storefronts towards digital stores. The rising expenditure by foreign tourists on apparel and the growth of online retailing of apparel products in Japan are expected to drive the retail sales of apparel products in Japan which will lead to the increase in the demand for apparel products from the Group's customers and in turn will result in an increase in the demand for the Group's products and accordingly the Group's sales volume.

Furthermore, the consumption pattern in Japan apparel retail market has gradually shifted to the local and imported fast fashion with affordable price and the Group's knitwear products were mainly supplied to those low and middle priced fashion brands. With (i) established business relationships with the Group's customers; (ii) the provision of one-stop solution services ranging

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from design, sourcing, production management and logistics; (iii) strong and established product design and development capabilities; and (iv) management team with extensive apparel industry knowledge and experience, details of which are set out in the paragraph headed “Competitive strengths” in this section, the Directors believe that the Group is well-positioned to capture the growing demand for the Group’s services.

However, the market is challenged by the fluctuations in the foreign exchange rate of JPY and the potential increase in consumption tax in Japan, which may in turn affect the level of consumer spending in Japan. For details, please refer to the section headed “Risk factors — Risks relating to Japan” in this prospectus.

In addition, with the increasing popularity of business-to-business commerce sites, brand owners and sourcing agents may be able to easily access third-party manufacturers. The Directors believe that the Group competes favourably with the business-to-business commerce sites because (i) the Group provides one-stop solution services ranging from design, sourcing, production management and logistics, and this complete coverage on the service scope is difficult to be provided by the business-to-business commerce sites as it requires extensive understanding of the brand requirements of its customers, market awareness, industry and technical apparel know-how; (ii) the Group is led by Mr. Chan and some senior management and merchandising team members who are proficient in or have knowledge of Japanese, which enables the Group to communicate well with the customers and brand owners from Japan, which is the major market of the Group, and enhances the loyalty of the Group’s Japanese customers; and (iii) the Group had maintained business relationship with its five largest customers for a period ranging from about 5 to 15 years as at the Latest Practicable Date. The Directors believe this stable relationship with the customers is difficult to be replaced by the business-to-business commerce sites. Because of the reasons above, and also evidenced by the increasing revenue of the Group during the Track Record Period, the Directors believe that the historical and expected impact of the shift in business-to-business in the apparel industry on the Group’s sales is minimal.

The Directors also believe that the Group competes favourably with its competitors in terms of design capability, product quality and timely delivery. For further information regarding the competitive landscape of the industry in which the Group operates, please refer to the section headed “Industry overview” in this prospectus.

COMPETITIVE STRENGTHS

The Directors believe the following competitive strengths contribute to the Group’s continued success and potential for growth:

Established business relationships with the Group’s customers

Majority of the Group’s customers are owners or sourcing agents of apparel retail brands based in Japan. During the Track Record Period, majority of the Group’s products were sold to customers in Japan, which accounted for approximately 92.3%, 89.8% and 92.7% of the Group’s total revenue, respectively. At the Latest Practicable Date, the Group had maintained

business relationships with its five largest customers for a period ranging from about 5 to 15 years. The Group works closely with its customers in devising new product designs each season and delivering knitwear products according to their requirements. Over the years, the Directors believe that the Group has fostered a trustworthy, reliable strategic partnership with its customers built upon its proven track record of quality products, industry and product know-how, market awareness, dedicated management team, and competitive pricing. In 2015, the Group was granted the “Best Partner Award” by Marubeni’s Client in recognition of the quality of the Group’s products. The Directors believe that the Group’s commitment to provide high quality and reliable services helps strengthening the relationships between the Group and its customers, which would increase the sales of the Group.

Customers can rely on the Group to fulfil their needs for a full spectrum of apparel supply chain management services. The Directors believe that the Group has competitive advantages in, amongst others, (i) its strong and established design and product development capabilities to provide practical and innovative advice; (ii) its sourcing ability for quality raw materials and reliable production solutions due to its established and long-term relationships with the suppliers; and (iii) its familiarity and extensive experience in collaborating with the Japanese customers and third-party manufacturers whose manufacturing operations are in the PRC and/or Thailand, which in turn adds value for the Group’s customers.

Furthermore, the Group would bring new designs to its customers from time to time and communicate with its customers through face-to-face meetings and sales presentations. The Directors believe that the regular communications with the Group’s customers allow the Group to better understand their needs and requirements, which in turn strengthen the relationships between the Group and its customers.

The provision of one-stop solution services provider ranging from design, sourcing, production management and logistics

The Group provides one-stop solution of apparel supply chain management services in knitwear products for its customers. The Group offers a wide range of services ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and logistic services. Over years of collaboration with the customers in Japan, the Directors believe that the Group has accumulated extensive understanding of the brand requirements of its customers, market awareness, industry and technical apparel know-how. By engaging the Group to provide the apparel supply chain management services, the Directors believe that the customers found their needs accommodated along the supply chain of apparel products, which enables the customers to focus their resources on the retail business.

The Directors believe that being a one-stop solution provider allows the Group to have a high level of control in ensuring the delivery of consistent and quality apparel design and products and enables its customers to operate in a more cost-effective and efficient manner as they do not have to separately engage different parties to provide different types of services at

each stage in the apparel supply chain. In addition, the Directors believe that it is easier for the Group to manage the production and delivery schedule in accordance with the customers' orders.

Strong and established product design and development capabilities

The Directors consider that the Group's strong product design and development capabilities is one of the key factors that has contributed to the Group's past success and will continue to drive the growth of its business. The Group had a design and promotion department with five staff as at the Latest Practicable Date which is mainly responsible for devising and providing new designs for the coming collection of knitwear products in accordance with the market fashion trend and the preferences of customers. During the Track Record Period, the Group generally provided over 100 new knitwear designs in each main fashion season. The design and promotion department conducts market research and attends apparel trade shows to keep abreast of the latest fashion trends and product development, which enables the Group to quickly respond to style changes and advances in the apparel industry. To facilitate customers in devising the procurement plans for the upcoming season, the Group would present the trend for the upcoming season to its customers, and discuss with the customers on the designs of upcoming collections.

In developing new knitwear products, the merchandising department works closely with its customers to create or modify the product designs in terms of yarn, styles, knitting pattern and colour to meet their brand requirements. The Directors believe that the design and development capability together with efficient communication and exchange of ideas between the Group and its customers can facilitate the procurement plans of the customers, which in turn enhances the loyalty of the customers to the Group.

Management team with extensive apparel industry knowledge and experience

The Group's management team has extensive apparel industry knowledge and experience. The management team is led by Mr. Chan, an executive Director, the chairman of the Board and the chief executive officer of the Company, who has over 25 years of management and operating experience in the apparel industry, in particular in the Japan market, has played a leading role in the Group's overall business growth. With his conversancy in the Japanese language and culture and the Japanese apparel market, the Group is able to establish closer contact to Japanese customers. The Directors believe that the management team's extensive experience and in-depth knowledge of the apparel industry would enable the Group to understand the market trends and the needs of its customers in a timely and efficient manner.

The Directors believe that an experienced and committed management team will enable the Group to continue to capture market opportunities and contribute significantly to its sustainable growth in the future. For further details of the biographies and relevant industry experience of the management team, please refer to the section headed "Directors and senior management" in this prospectus.

BUSINESS STRATEGIES

The Group's goals are to achieve sustainable growth and further strengthen its overall competitiveness and business growth in the apparel supply chain management services in Hong Kong. To achieve this, the Directors plan to continue to leverage the Group's competitive strengths and implement the following strategies:

Strengthening and diversifying the Group's customers base

During the Track Record Period, majority of the Group's products were sold to customers in Japan, which accounted for approximately 92.3%, 89.8% and 92.7% of the Group's total revenue, respectively. The Group has been in the Japan apparel market for over 15 years and the Directors consider that Japan will remain an important market for the Group in the near future. The Directors also recognise that reducing its reliance on Marubeni, the largest customer of the Group, is critical to achieving sustainable long-term growth. In this connection, the Group will continue to enhance its market presence among the existing and potential customers through extensive sales and marketing efforts.

In July and October 2016 and March 2017, the Group co-organised a total of three three-day private exhibitions with one of its top five customers for promoting the Group's knitwear products in Japan. During the three-day private exhibitions, the Group was able to showcase its products samples to different brand owners, solicit new business opportunities and increase its market presence in Japan. In view of the positive feedback from the exhibitions, the Group plans to co-organise the private exhibitions with its customers as regular events for each of the main fashion season. The Directors are of the view that through the private exhibitions, the Group will be able to increase its market exposure and reputation in Japan apparel industry, diversify its customer base and revenue source which will in turn drive the growth of the Group's business. The forthcoming private exhibition is expected to be held in September 2017 and the Group will continuously explore the possibilities of co-organising private exhibitions with its existing and potential customers. In this connection, the Directors expect that the Group will continuously visit and collaborate with its customers to promote the Group's products through extensive sales and marketing activities, in particular the private exhibitions, in order to explore new business opportunities.

As advised by the Directors, the Group did not actively solicit business from other potential customers in view of the sizable orders placed by its largest customer. With an aim to capture a larger market share in Japan apparel market, diversify the customer base and reduce the reliance on its largest customer, the Group will proactively approach the potential customers through business referrals and its business network, and/or by participating in more tradeshows and fashion shows to increase its market presence.

The Group intends to utilise, from the net proceeds of the Share Offer (based on the Offer Price of HK\$0.52 per Offer Share, being the mid-point of the indicative Offer Price range), (i) approximately HK\$3.5 million for arranging sales visits and co-organising private

exhibitions in Japan; (ii) approximately HK\$0.9 million for soliciting and developing relationship with potential customers; and (iii) approximately HK\$0.9 million for participating in trade fairs and fashion show.

Further expanding the Group's product variety to cater for the customers' needs

During the Track Record Period, the Group provided over 100 new knitwear designs in each main fashion season. The Group's revenue derived from the sales of menswear increased by approximately 91.2% or HK\$34.3 million from approximately HK\$37.6 million for the year ended 31 March 2015 to approximately HK\$71.9 million for the year ended 31 March 2016. With an aim to further cater for the customers' needs by providing more comprehensive services to the customers and to attract new customers, the Group intends to expand its market in the men's knitwear sector and broaden its existing product types to cut-and-sewn knitwear and seamless knitwear.

The Group mainly supplied knitwear products for autumn/winter seasons, such as pullover and cardigan to its customers during the Track Record Period whereas the cut-and-sewn knitwear and seamless knitwear products can be made of different fabrics and yarns to suit different seasons. Cut-and-sewn knitwear is produced by cutting knitted fabric into panels and sewing them together to form an apparel, such as tank tops, skirts, t-shirts, polo shirts and fleece jacket. Seamless knitwear (also known as whole garment) is produced in one-piece complete garment without any linking and sewing process. The major difference between the Group's existing knitwear products and these products is their production process. The Group did not supply any cut-and-sewn knitwear because it did not recruit any merchandiser with such relevant experience at that time. In order to ensure that the Group's expansion plan is reasonable and achievable, the Group has recruited an experienced merchandising manager to promote and develop the cut-and-sewn knitwear market. In respect of seamless knitwear, the Group only supplied a minimal amount of seamless knitwear in accordance with the design provided by its customers during the Track Record Period. The gross profit margin of which was approximately 30.9%. The Directors consider that seamless knitwear generally has a higher profit margin as compared to the Group's existing products because it requires more aesthetic requirements and could usually command a higher profit margin and avoid waste of materials as cut-loss in the cutting process. Leveraging on the past experience, the Directors plan to put more efforts in promoting the Group's own designs on seamless knitwear in order to attract more orders from its customers so as to allow the Group to achieve the economies of scales and enhance its competitiveness. Furthermore, with an established relationship with its third-party manufacturers, the Directors believe that the Group is able to allocate orders to appropriate subcontractors to produce a particular type of products to suit the needs of its customers. It is expected that the gradual and continuing evolution of the Group's product mix will enable the Group to improve its revenue streams and product diversification which could reduce the seasonality impact over the Group's business performance.

According to the Euromonitor Report, the consumption pattern in Japan apparel retail market has gradually shifted to the local and imported fast fashion with affordable price. In other words, consumers tend to purchase more lower-priced apparel. It also states that the apparel retail industry in Japan is expected to benefit from (i) the rising expenditure by foreign tourists on apparel in Japan; and (ii) growth in online retailing helping to encourage purchase of apparel products. This suggests that there will be a growing demand in lower-priced apparel and fast fashion in Japan apparel market, which is expected to benefit the Group and the implementation of the Group's business strategy. The Group's customers are mainly owners or sourcing agents of apparel retail brands based in Japan offering a range of apparel products, including outerwear, tops and bottoms, under different brands and targeted at low-to-mid end apparel market. The Directors consider that the existing knitwear products supplied by the Group only form a minor portion of the customers' product portfolio and there are vast opportunities for the Group to capture a larger portion of market share by expanding its product variety to suit the different needs of the customers. Following the submission of the Company's listing application to the Stock Exchange in July 2016, the Group received non-legally binding memorandum of understandings ("MOUs") from four of its top five customers for the year ended 31 March 2016, in which they have indicated their willingness to increase the orders for the Group's products in view of the Group's resources, credibility and reputation after the Listing.

In view of the foregoing, the Directors consider that there will be an increasing demand in both the Group's existing and new products and believe that expanding and diversifying the Group's product variety will strengthen the Group's competitiveness and its market position in the apparel supply chain industry.

To achieve this business strategy, the Group intends to recruit 2 junior staff and 1 senior designer to form a new design team for cut-and-sewn knitwear and seamless knitwear. The Group also plans to purchase computer graphic design systems which are specialised in design support for seamless knitwear and all kinds of knitwear products, from knit planning, pattern design, colourway evaluation, creation of fitting simulation, production of samples, to output of instruction sheets. The Directors expect that the installation of such computer graphic design systems will further strengthen the Group's design efficiency and capability. In addition, the Group plans to allocate approximately HK\$6.55 million of the net proceeds from the Share Offer (based on the Offer Price of HK\$0.52 per Offer Share, being the mid-point of the indicative Offer Price range) for developing and creating promotion samples, of which approximately HK\$3.8 million for producing approximately 10,600 to 11,800 samples of cut-and-sewn knitwear; and approximately HK\$2.8 million for producing approximately 9,600 to 10,700 samples of seamless knitwear.

The Group also plans to implement various marketing activities, such as sales visits, development of promotion samples and distributing marketing materials, to promote menswear, cut-and-sewn knitwear and seamless knitwear. The Directors believe that the expansion and development of menswear, cut-and-sewn knitwear and seamless knitwear would enable the Group to offer a wider range of knitwear products to its existing customers and

potential new customers to cater for their different needs and preferences. The Group intends to utilise approximately HK\$10.55 million of the net proceeds from the Share Offer (based on the Offer Price of HK\$0.52 per Offer Share, being the mid-point of the indicative Offer Price range) as to (i) approximately HK\$0.4 million for setting up a new design team; (ii) approximately HK\$2.4 million for purchasing computer design graphic system; (iii) approximately HK\$6.55 million for developing and creating promotion samples; (iv) approximately HK\$0.6 million for conducting market and design search for cut-and-sewn knitwear and seamless knitwear; and (v) approximately HK\$0.6 million for promotion of cut-and-sewn knitwear and seamless knitwear. The estimate amount of depreciation to be incurred in the design systems to be approximately HK\$140,000, HK\$280,000 and HK\$480,000 for the years ending 31 March 2018, 31 March 2019 and 31 March 2020, respectively.

Enhancing the Group's design and development capabilities

During the Track Record Period, the Group's revenue generated from the designs developed by the Group were approximately 35.8%, 40.2% and 43.2%, respectively. The Directors believe that the ability to anticipate and effectively respond to the ever-changing fashion trend is critical to the Group's past success and it will continue to drive the growth of the Group's business. The Directors also consider that there is a potential growth in the low-priced, fast fashion apparel in Japan market and the Group intends to capitalise on its industry knowledge to expand its business network in Japan. The Group plans to incorporate a new operating entity in Japan and set up a showroom with a design team and an account servicing team by recruiting local experienced designers and account servicing staff. The incorporation of a new office in Japan is aimed to enhance the standard and quality of the Group's products, to display and promote more sample products to customers and to perform liaison function for the Group.

It is the current intention of the Group to rent a property for its new office and showroom in Japan and the estimated rental expense will amount to approximately HK\$90,000 per month. The Directors consider that with its own office and showroom being set up in Japan, the Group would be able to enhance its corporate profile and recognition locally and hence attract new Japanese customers who are not willing to travel abroad. Besides, it would be more cost effective and time saving for the Group to showcase its products to customers through the private exhibitions at its own showroom. The Directors consider that a strong design team with extensive design knowledge and understanding of local consumer preference, tastes and market awareness will enable the Group to offer a wider range of design tailored for the taste and preference of the Japan market. The Group plans to recruit 3 local experienced designers to form a design team to enhance the Group's design and development capabilities. By leveraging on their expertise, experience and contacts within Japan apparel industry, the Directors believe that this will facilitate a better communication with its customers so as to keep pace with the changes in the market trends and understand their brands requirements and preferences, and in turn will enable the Group to translate the market trends into designs that meet the customers' need and evolve the Group's product offerings. The Group also plans to recruit 2 local experienced account servicing staff, to which the Directors consider that it

would allow the Group to leverage on their experience to better serve and communicate with the customers as well as increase the Group's market presence in Japan. The estimated expenditure for setting up a new office in Japan and the initial staff cost are expected to be approximately HK\$1.85 million and HK\$0.82 million, respectively. As advised by the Japanese Legal Advisers, the Company may incorporate a foreign investment company in Japan without any material legal impediments under the applicable Japanese laws and regulations and there is no restriction on foreign investor such as the Group entering into the apparel supply management industry in Japan.

Having considered that (i) the Japanese Legal Advisers are of the opinion that, there is no restriction on foreign investor such as the Group entering into the apparel supply management industry in Japan; (ii) the new operating entity to be set up will focus on conducting market research, developing knitwear designs and providing close customer relationship services; (iii) the design and development capability is one of the Group's competitive strengths; and (iv) the Group has been in the Japan apparel market for over 15 years, the Directors are of the view that the establishment of a design and customer relationship team in Japan for on-going design and development and customer relationship building is feasible, which in turn will be helpful to maintain the Group's competitive edges and position in the apparel supply chain management industry.

In addition, the Group also plans to strengthen its product design efficiency by upgrading various computer software for design and development and will continue to arrange its staff to attend trade fairs and fashion shows regularly so as to keep them abreast of the latest fashion trends and industry know-how. On the other hand, the Group recognises the importance of quality control of the Group's products. To ensure the quality of the Group's products, in particular their colours, is in accordance with the customers' requirement and standard, the Group intends to purchase new computerised colour matching machines to replace the existing colour check light box which will enable the Group to perform colour check on the products instrumentally so as to enhance the Group's quality control capabilities. The total estimated expenditure for upgrading various computer software, arranging staff to attend overseas fashion shows and purchasing new computerised colour matching machines are expected to be approximately HK\$1.2 million, HK\$3.8 million and HK\$0.3 million respectively. The estimate amount of depreciation to be incurred in the new computer software and machines are expected to be approximately HK\$65,000, HK\$184,000 and HK\$283,000 for the years ending 31 March 2018, 31 March 2019 and 31 March 2020, respectively.

Enhancing the Group's inventory management to strengthen operational efficiency

During the Track Record Period, the lead time from customers' order placement to the delivery ranged from approximately 30 days to 217 days with an average lead time of approximately 120 days. The Group, in most cases, sources raw materials and other accessories from its suppliers for production only after the customers have confirmed their orders and their specifications. However, some of the Group's major customers may request for bulk purchase with a shorter delivery time (i.e. not more than 60 days) ("**Short-notice**

Orders”) for the knitwear products that are well-received in the market. The Group generally receives such Short-notice Orders in bulk from August to November, which is in the peak season for products of the autumn/winter collections and the Directors believe that the customers were restocking the hot items and stocking up for the Christmas and New Year holidays. During the Track Record Period, the Group’s revenue derived from the Short-notice Orders amounted to approximately HK\$126.3 million, HK\$164.3 million and HK\$123.2 million, respectively, representing approximately 31.7%, 37.8% and 39.5% of the Group’s total revenue, respectively. As some raw materials may be required to be further processed before sending to third party manufacturers for production, the Directors consider that by utilising part of its net proceeds of the Share Offer for purchasing and maintaining an optimal level of raw materials for those customers who intend to place Short-notice Orders will enable the Group to respond swiftly to the customers’ immediate need and compete against other apparel chain services providers.

Moreover, there are often time lags between making payments to the Group’s raw materials suppliers and receiving payments from the Group’s customers. The raw material suppliers typically grant a credit period of 30 days whereas the Group can only receive the payment in full from the customers upon delivery of goods. The average time lag between receiving payments from customers and making payments to suppliers were approximately 90 days. Starting from the second quarter each year, customers generally place orders to the Group for autumn/winter collections and the Group generally obtains more financing from banks for the purchases of raw materials in preparation for the peak season from August to February. Therefore, the ability of the Group to accept the customers’ additional orders or Short-notice Orders is significantly limited in view of the time lag on receiving sales proceeds from customers and the available financial resources of the Group at the relevant time.

Furthermore, the Group often sources and procures the required raw materials for the third-party manufacturers for production. During the Track Record Period, the Group’s revenue generated from the sales orders of which the Group sourced and procured raw materials and consumables for the third-party manufacturers were approximately HK\$369.8 million, HK\$297.4 million and HK\$199.5 million, respectively, representing approximately 92.9%, 68.3% and 64.0% of the Group’s total revenue, respectively. The ordered raw materials are either delivered by the suppliers directly to the third-party manufacturers as specified by the Group or temporarily stored in the Group’s warehouse before delivery for productions.

In deciding the volume of the Short-notice Orders to be taken up by the Group, the Group would consider, among other things, the stock-up inventory level, the availability of raw materials and the amount of available working capital. The Directors consider that it is essential to utilise approximately HK\$15.08 million from the net proceeds of the Share Offer (based on the Offer Price of HK\$0.52 per Offer Share, being the mid-point of the indicative Offer Price range) to purchase raw materials in preparation for increasing orders or Short-notice Orders for the following reasons:

- (i) *Heavy reliance on the banking facilities.* The Group relies heavily on banking facilities to finance its daily operations, in particular, for settling the trade payables to its raw materials supplier and making prepayments to its subcontractors/suppliers for productions. Such reliance is typically more obvious during the peak season whereby the Group's bank borrowing reached the highest utilisation rate of its total banking facilities of approximately 73.0% during the Track Record Period. Comparing with the Group's gearing ratio of approximately 0.9 times as at 31 March 2016, the Group's gearing ratio increased to approximately 1.3 times as at 30 November 2016 which implies that the level of debt incurred by the Group was higher than that of its equity and the fact that the Group generally obtains more finance from banks in the second half of the year to undertake the increasing sales orders for peak season. The Directors consider that further debt financing may further increase the gearing ratio of the Group as well as the finance costs, which in turn may affect the Group's financial performance as comparing to equity financing which is interest-free;
- (ii) *Relatively lengthy to turn into cash resources.* The time lag between making payment to suppliers and receiving payments from customers is generally approximately 90 days. Should the customers delay their delivery schedule or subcontractors/suppliers require the Group to make prepayment for production, the Group may require a longer period to turn the trade receivables into cash resources, and thus affecting the Group's operating cash flow;
- (iii) *Limitation of the Group's business expansion.* In respect of the Short-notice Orders, the customers generally enquires the quantity of raw material available for production with the Group before placing actual orders. After checking the Group's inventory level, the Group then agrees the sales quantities with the customers. As such, it is not able to quantify the amount of Short-order Notices which the Group was not able to accept due to unavailability of raw materials during the Track Record Period. The Directors consider that the amount of additional orders the Group is able to undertake so as to expand its business hinges on the availability of the Group's inventory level as well as the available working capital. In view of the foregoing, the Directors believe that, with the Group's strengthening financial capacity following the Listing, the Group will be able to take more customers' orders (including Short-notice Orders);
- (iv) *Ability to cater for increasing orders.* A key factor which affects the ability of the Group to undertake additional orders is the availability of raw materials. Maintaining raw materials for those customers who show intentions to place Short-notice Orders would not only allow the Group to shorten the time between the production and delivery but also allow the customers to respond more quickly to market trends and this would in turn increase the orders from such customers.

Moreover, based on the aforesaid MOUs, the Directors believe that the Group has to purchase and maintain more raw materials to cater for the increasing demand from its major customers after the Listing; and

- (v) *The Group's inventory level.* The Group generally does not maintain a high level of inventory of raw materials despite the Group's inventory aged over 180 days as at 30 November 2016 amounted to approximately HK\$4.6 million. Such raw materials aged over 180 days were mainly yarns that are not commonly used under the latest style and colour trends. However, the Directors consider that such raw materials are durable in nature and can be blended to form a new blended yarn and subsequently be utilised when the fashion cycle arise. Notwithstanding the above, the Group plans to utilise the net proceeds of the Share Offer to purchase the raw materials for products that are classic, commonly accepted or previously confirmed with the customers for such Short-notice Orders.

The Directors believe that such practice will allow the Group to keep the raw material on a just-in-time basis and provide flexibility to the Group for receiving increasing orders or Short-notice Orders from the customers. The Directors intends to apply approximately HK\$15.08 million from the net proceeds of the Share Offer (based on the Offer Price of HK\$0.52 per Offer Share, being the mid-point of the indicative Offer Price range) to purchase raw materials in preparation for increasing orders or Short-notice Orders from customers, which will be utilised as to (i) approximately HK\$4.98 million for the period between the Latest Practicable Date and 31 March 2018, (ii) approximately HK\$4.90 million for the year ending 31 March 2019; and (iii) approximately HK\$5.20 million for the year ending 31 March 2020.

In determining the total expenditure of approximately HK\$15.08 million from the net proceeds of the Share Offer (based on the Offer Price of HK\$0.52 per Offer Share, being the mid-point of the indicative Offer Price range) to be used for purchase of raw materials, the Directors have taken into account (i) the sales amount of Short-notice Orders amounted to approximately HK\$126.3 million, HK\$164.3 million and HK\$123.2 million during the Track Record Period, representing approximately 31.7%, 37.8% and 39.5% of the Group's total revenue respectively; (ii) the sales amount of Short-notice Orders for the year ended 31 March 2016 recorded an increasing growth rate of approximately 30.1% as compared to that for the year ended 31 March 2015; (iii) the cost of raw materials and consumable used for the Short-notice Orders amounted to approximately HK\$28.6 million, HK\$38.1 million and HK\$33.9 million during the Track Record Period, representing approximately 31.5%, 49.0% and 56.3% of the Group's total cost of raw materials and consumable used respectively; (iv) the cost of raw materials and consumable used for the Short-notice Orders for the year ended 31 March 2016 increased by approximately 33.2% as compared to that for the year ended 31 March 2015; and (v) the Group's revenue increased by approximately 9.3% from the year ended 31 March 2015 to the year ended 31 March 2016. Based on the historical growth in sales amount of Short-notice Orders and the increase in relevant cost of raw materials and consumable, the Directors estimate that the Group is able to secure increasing Short-notice Orders at a similar

pace of around 30% per annum. Accordingly, the Directors estimate that the cost of raw materials and consumables used for the additional Short-notice Orders would be increased by approximately HK\$11.0 million per annum for the forthcoming year. Based on the above, the Directors consider that it is commercially justifiable to utilise approximately HK\$15.08 million in total for the three years ending 31 March 2020 from the net proceeds of the Share Offer (based on the Offer Price of HK\$0.52 per Offer Share, being the mid-point of the indicative Offer Price range) for the purchase of raw materials. Moreover, based on the established business relationships with major customers and their intentions to increase orders from the Group after the Listing, the Directors believe that this will be an on-going phenomenon for the Group to stock up for the Short-notice Orders.

In addition to the above, the Group plans to procure an inventory management system in order to strengthen its operational efficiency by tracking the incoming and outgoing inventory levels of the raw materials. Since the Group's existing ERP system has been used for over 10 years and the default inventory management function does not match with the Group's business model, the Group plans to purchase a tailor-made inventory management system to strengthen the Group's inventory management. The Directors believe that by deployment of a new inventory management system, the Group will be able to maintain the desirable inventory level with reference to the actual sales and projected sales volume and to avoid excessive inventory effectively. The estimated total expenditure for purchasing a tailor-made inventory management system is expected to be approximately HK\$0.5 million and the estimate amount of depreciation to be incurred in the inventory management system are expected to be nil, approximately HK\$75,000 and HK\$100,000 for the years ending 31 March 2018, 31 March 2019 and 31 March 2020, respectively.

For further details on the implementation of the abovementioned business strategy, please refer to the section headed "Statement of business objectives and use of proceeds" in this prospectus.

Reasonable justification for the Group's business strategies

According to the Euromonitor Report, the retail sales value of apparel is projected to reach approximately USD72,722.3 million in 2020, representing a CAGR of approximately 3.4% from 2016 to 2020. It also states that the apparel retail market in Japan is expected to recover due to growing popularity of internet apparel retailing, increasing inbound tourism and changing consumer pattern. Please refer to the section headed "Industry overview" in this prospectus for further details.

Notwithstanding that the retail sales value in Japan is forecasted to only grow mildly at a CAGR of approximately 3.4% from 2016 to 2020, on the basis that:

- (i) the Japan apparel market has continuously contributed to the growth in the Group's business during the Track Record Period as evidenced by the increase of approximately 9.3% in the Group's revenue from approximately HK\$398.0 million for the year ended 31 March 2015 to approximately HK\$435.2 million for the year

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ended 31 March 2016 and increase of approximately 18.5% from approximately HK\$262.9 million for the eight months ended 30 November 2015 to approximately HK\$311.6 million for the eight months ended 30 November 2016. The Directors consider that the Group's one-stop solution services as discussed in the section headed "Business — Competitive strength" in this prospectus have enabled the Group to outpace the growth of Japan apparel retail market;

- (ii) in mid-October 2016, the Client's Parent announced its plan to open approximately 50 oversea stores for Marubeni's Client in the coming years, of which 2 new stores have been opened in Hong Kong in March and April 2017. In addition, one of the Group's top five customers is listed on the Tokyo Stock Exchange in late 2016. The Directors expect that the demand for the Group's knitwear will be increased as a result of the opening of new stores of Marubeni's Client and the further business expansion of its key customers in near future;
- (iii) the prices of the Group's products ranging from approximately HK\$30.8 to HK\$655.2, HK\$21.8 to HK\$499.2 and HK\$32.8 to HK\$922.7 for each of the two years ended 31 March 2016 and the eight months ended 30 November 2016, respectively. Given (a) the Group's knitwear products were mainly supplied to those low and middle priced Japanese fashion brands; (b) the Euromonitor Report stated that the consumption pattern in Japan apparel retail market has gradually shifted to the local apparel brands and other imported fast fashion brands with affordable price; and (c) the Group's proven track record, strong product design and development capability, the Directors consider that the Group is capable of offering different types of products that are tailored for the customers' budget to keep pace with the changes in trends and consumers' preference; and
- (iv) the Group recorded steady revenue growth in the eight months ended 30 November 2016 as compared with the previous corresponding period and has sales orders on hand in total amounts of approximately HK\$67.9 million as at 31 January 2017. The Directors believe that the higher sales orders received by the Group are mainly driven by the continuous effort of the Group to market its supply chain management services and recognition of the quality of the Group's products and services by the customers. As aforementioned, some of the Group's top five customers have indicated their interests on ordering new products from the Group and their willingness to increase in demands for the Group's products in view of the Group's resources and reputation after the Listing. The Directors believe that a listing status on GEM could attract potential customers who are more willing to establish business relationship with a listed company and it will also generate reassurance among the existing customers in view of the fact that four of the Group's top five customers during the Track Record Period were listed companies in Japan;

the Directors therefore consider that there will be considerable demand and vast opportunities for the Group to grow which justifies the Group's business strategies and implementation plans.

Additional funding for the implementation of the Group's business strategies

As at 31 January 2017, the Group had a total unrestricted banking facilities of approximately HK\$92.0 million, of which approximately HK\$59.0 million were trust receipt loan and invoice financing loan, and the remaining HK\$33.0 million were revolving loan. Out of the total available HK\$92.0 million of the aforesaid banking facilities, the Group had utilised a total of HK\$12.3 million of trust receipt loan and invoice financing loan and HK\$8.0 million of revolving loan. The Group had an unrestricted unutilised banking facilities amounted for approximately HK\$71.7 million as at 31 January 2017, of which approximately HK\$46.7 million were trust receipt loan and invoice financing loan and approximately HK\$25.0 million were revolving loan. Taking into account the fact that (i) the available trust receipt loan and invoice financing loan as at 31 January 2017 is not sufficient to cover the Group's trade and other payable of approximately HK\$50.9 million as at 31 January 2017; (ii) the high level of the Group's bank balance and cash of approximately HK\$37.8 million as at 31 January 2017 is temporary in nature due to its business nature as discussed below; and (iii) the Group is required to maintain sufficient cash level to finance its daily operation as well as to meet its obligation to repay the outstanding banking facilities due within one year from time to time, the Directors consider that the Group has to obtain additional funding on top of the Group's available financial resources for implementation of the Group's business strategies.

The Group's top five customers are mainly listed companies or conglomerates in Japan. The ability of the Group to undertake more sales orders from the customers depends on the Group's available financial resources as well as the availability of raw materials. As the business plan of the Group's customers discussed above, it is expected that there will be an increasing demand from the customers for the Group's products. Based on the above and without taking into account the unutilised banking facilities, the Group's available working capital only amounted to approximately HK\$25.2 million as at 31 January 2017. The Directors consider that the Group's current available financial resources can merely meet its present working capital requirements and the existing business scale of the Group but are not sufficient to satisfy the financial resources required for the implementation of all of the Group's business strategies. In order to cope with the increasing demand from its customers as well as their expansion plan, the Directors consider that the Group has to obtain additional funding for the Group's expansion.

The Group historically financed its working capital requirements through internal resources and bank borrowings. The Group's working capital requirements mainly represent the payments for staff cost and benefits, administrative expenses and cost of sales for its business operation. As regards the expenses which are fixed cost in nature, the Group's monthly average administrative expense and staff costs and benefits were approximately

HK\$3.8 million during the two years ended 31 March 2016. In respect of the cost of sales (which mainly include, among others, the subcontracting charges and raw materials and consumables used), the monthly average amount that the Group incurred in relation to its operation during the two years ended 31 March 2016 were approximately HK\$29.4 million. Based on the above, the Group's monthly average expenses in relation to its operating activities were approximately HK\$33.2 million.

During the two years ended 31 March 2016, the monthly average bank balances and cash of the Group amounted to approximately HK\$19.3 million. The Group had a relatively higher level of bank balances and cash of approximately HK\$37.8 million as at 31 January 2017 compared to that of approximately HK\$20.8 million as at 31 March 2016 was mainly due to the fact that the Group recorded higher sales in the second half of the year, particularly during the peak season. Furthermore, the Group generally requires to make prepayments to its raw material suppliers/subcontractors for production and such amount of prepayment and deposits will be more significant in the second quarter each year due to the fact that the Group's customers generally place orders to the Group for the upcoming autumn/winter clothing. As a result, the Group generally reports negative cash flows from operating activities during the first half of its financial year. This demonstrated that the Group's operating cash flow experiences significant fluctuation throughout its financial year. Having considered that (i) the aforesaid monthly average operating expenses; (ii) the aforesaid monthly average bank balance and cash level; and (iii) the fluctuation in the Group's operating cashflow during the Track Record Period, the Directors consider that the high level bank balances and cash of the Group as at 31 January 2017 is temporary in nature and the current available financial resources is for maintaining of its existing operations but not adequate for the Group's expansion plan.

As discussed above, the Group also heavily relies on the banking facilities to finance its daily operation and its liquidity needs for settlement of trade and other payables. If the Group pursues its business strategies by utilising its banking facilities (excluding approximately HK\$59.0 million of trust receipt loan and invoice financing loan) and without raising additional funding, this may reduce the Group's financial resources that would otherwise be available to fund other expenditures and hence put the Group's cash flow and working capital under pressure. Besides, further bank borrowing obtained by the Group would inevitably increase the interest expenses and impose additional financial burden to the Group's future cashflow, to which the Directors consider that it is not in the interest of the Company and its Shareholders.

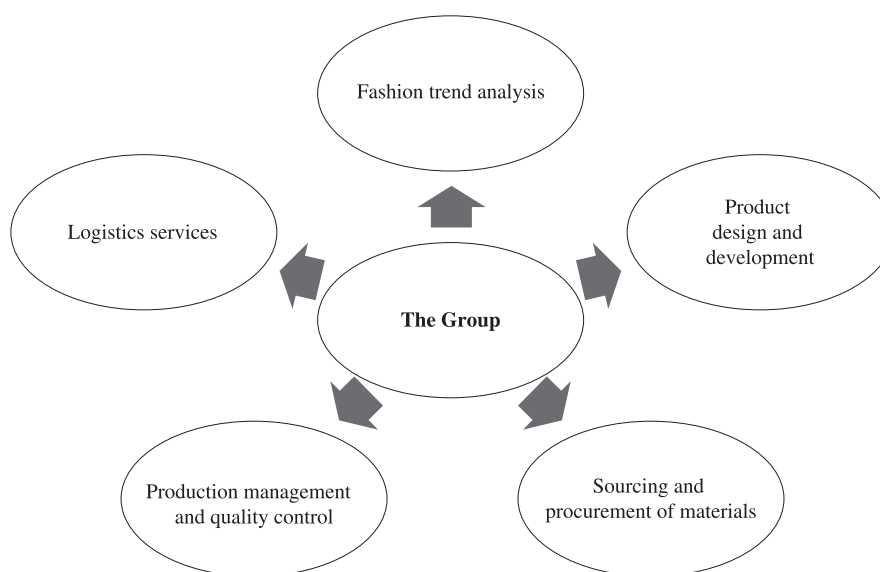
Accordingly, the Directors believe that it is necessary to maintain a disciplined financial strategy without exposing the Group to aggressive gearing in order to achieve sustainable growth in the long run; and to maintain a cash level sufficient to support the Group's existing operations, while the net proceeds from the Share Offer will be essential for the implementation of the Group's business expansion.

APPAREL SUPPLY CHAIN MANAGEMENT SERVICES

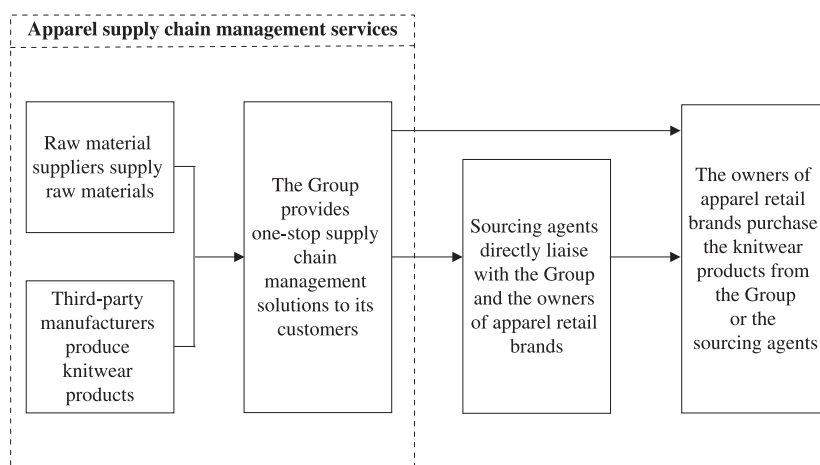
The Group acts as a one-stop solution provider for knitwear products to its customers. The Group offers a wide range of apparel supply chain management services ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and logistics services. To focus the resources on the provision of apparel supply chain management services, the Group does not own or operate any manufacturing operations. Instead, the Group will outsource the labour intensive manufacturing process to third-party manufacturers with manufacturing operations in the PRC and/or Thailand. All the Group's knitwear products are manufactured in accordance with the specifications and requirements set out by the Group's customers in the sales order and/or design recommended or inspired by the Group. During the Track Record Period, the majority of the Group's knitwear products were sold to Japan. The Group's customers are mainly owners or sourcing agents of apparel retail brands based in Japan, which products are marketed and sold under their own brands.

With an aim to expand the Group's supplier base as well as to cope with its expansion plan, the Group has established Speed Apparel Shenzhen to assist in identifying potential raw material suppliers and third-party manufacturers in the PRC for its procurement needs and liaising with the PRC customers for logistic arrangement. The Directors are of the view that by setting up Speed Apparel Shenzhen in the PRC, the Group will be able to identify and approach the local potential suppliers and to respond to the PRC customers' feedback in a timely and efficient manner.

The following diagram summarises the Group's apparel supply chain management services:

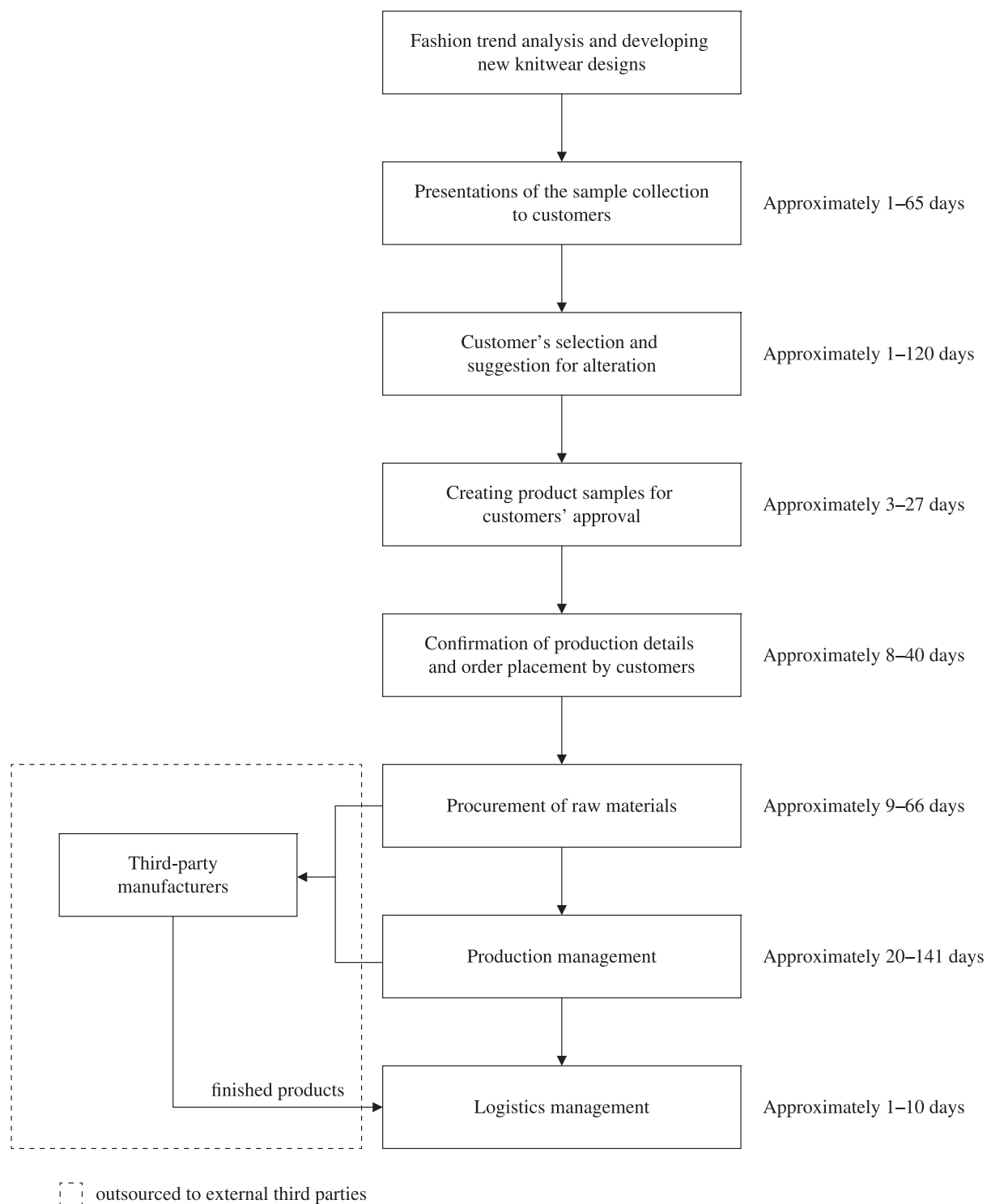


The following diagram illustrates the Group's business model for the provision of apparel supply chain management services:



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The following flow chart sets out a typical flow of operations involved in the provision of the Group's apparel supply chain management services:



Fashion trend analysis

The Group's design and promotion department is responsible for product design and development. The design and promotion department will conduct market research through fashion magazines, websites, and attend fashion trade shows to keep abreast of the latest fashion trends, styles and industry know-how while the merchandising department will hold meetings with the customers to understand their requirements such as budgets and design preferences. The Group will research on new blending of yarn with yarn suppliers and new knitting pattern so as to formulate new product design for the upcoming season.

Product design and development

Based on the result of market research and customers' brand requirements for the upcoming season, the design and promotion department will start devising the themes and trend for the coming collection of knitwear products. The Group will communicate with its customers and recommend new designs and inspirations to its customers from time to time before they finalise their procurement plans. Capturing a thorough understanding of the customers' preferences, the design and promotion department will create and develop new collections of knitwear design that are tailored to match each customer's budget and style. During the Track Record Period, the design and promotion department formulated or developed over 100 new knitwear designs in each main fashion season. Once the new collections for the upcoming season has been developed, the merchandising department will liaise with the third-party manufacturers to produce promotion samples. A promotion sample is a prototype of a new knitwear design for the upcoming season. The Group will showcase the trend forecast and promotion samples with the preliminary quotation to its major customers through face-to-face presentations or to the owners of apparel retail brands or the sourcing agents through attending the tradeshow organised by the sourcing agents. Based on the feedback from its customers, the Group may further modify the knitwear design and specifications in respect of style and fitting to match their budget and style. Alternatively, the customers may develop their own designs and/or make modifications to the designs recommended or inspired by the Group and provide their own designs to the Group. The Group will also give suggestions to assist its customers in fine-tuning or adjusting their original designs so as to improve the efficiency of the production process and to match the customers' requirements.

After confirming the knitwear designs, the Group will then prepare an instruction sheet to and liaise with its third-party manufacturers for the production of the sample products. An instruction sheet will set out all the specifications for the knitwear and typically includes information such as the graphic images, knitting pattern, labelling specifications and specific dimension of the knitwear. As part of the apparel supply chain management services, the cost of preparing a sample product is generally borne by the Group and it is the understanding of the Directors that it is the industry practice to include such costs when the Group determines the price of its knitwear products. Once the customers are satisfied with and grant the approval of the sample products, the Group will finalise the details of the purchase orders with the customers, including the quantities, price, delivery date and product specifications. The customers will then place the purchase orders with the Group with all such details confirmed.

Procurement of raw materials

The Group's purchasing department is responsible for selecting suppliers for the purchase of necessary raw materials and accessories. The Group will source the required raw materials to meet the product specifications set out by the customers. The Group generally places the purchase orders with its raw material suppliers after the customers' orders are confirmed. The raw material suppliers will deliver the raw materials ordered directly to the third-party manufacturers designated by the Group. However, the Group will also maintain a certain level of inventory for various types of yarn that are expected to be popular or commonly accepted based on the anticipated fashion trends. For the yarn stocked by the Group, the Group generally requires the third-party manufacturers to collect the raw materials from the Group's warehouse and deliver such raw materials to their factories for production. The Group's purchasing department or, where the purchase order to the third-party manufacturers is on FOB terms, the Group's third-party manufacturers will source and purchase the required yarn and/or accessories from the raw material suppliers which are either recommended by the Group or specified by the customers. The Group will decide whether to provide raw materials to third party manufacturers for production or to require the third party manufacturers to source and procure raw materials for production after taking into consideration, among other things, the stock-up inventory level and the size of orders. To ensure that the quality of the knitwear products conforms to the sample products approved by the customer, the Group will typically engage the same third-party manufacturer for producing the final order. If specific colour of yarn is required for the knitwear products, the Group will liaise with the suppliers to make a lab-dip sample for customers' approval. A lab-dip is a laboratory procedure to test the compliance of yarn samples with customers' colour specifications. The Group will follow up on the dyeing of yarn to ensure that the colour specifications of the yarn are conformed to.

Further details regarding the raw material suppliers are set out in the paragraph below headed "Business — Suppliers" in this prospectus.

Production management

The Group does not own or operate any manufacturing operations and all of the knitwear products (including sample products and final products) are produced by the independent third-party manufacturers. The Group has its own discretion to choose and engage the third parties manufacturers with reference to the product types and specifications. During the Track Record Period, the Group engaged third-party manufacturers with manufacturing operations in the PRC and/or Thailand. As part of the apparel supply chain management services, the Group will be responsible for the overall production management which includes, among other things, monitoring production schedule, evaluating the performance of third-party manufacturers and providing technical advice to third-party manufacturers.

After the customers' confirmation on sales orders, the Group would place the production orders with the relevant third-party manufacturers to produce the knitwear products based on the specification and requirements set out by the customers. Once the orders have been confirmed with the third-party manufacturers, the Group departments would, on a continuing basis, provide technical advice to the third-party manufacturers during the production process. The Group will

keep close contact with the third-party manufacturers and update the production schedule to ensure that they are able to meet the customers' delivery schedule. The Group will also monitor the performance of the third-party manufacturers by random checking on semi-finished products at various stages of the production process for quality control purpose.

Before packaging for delivery, all of the finished products will be sent for final inspection which will be carried out by a third-party inspection centre that is acceptable by the relevant customer. The inspection fee will be borne either by the Group or the customer depending on the customer's requirement. If the customer requires the Group to cover the inspection fee, such cost will be taken into account when the Group determines the price of its knitwear products. The final inspection will be performed to ensure that all of the finished products comply strictly with the customers' specifications and requirements. If defects are found in the finished products, the finished products will be reprocessed by the third-party manufacturers according to the comments as stated in the first inspection report and re-examined by the inspection centre. After passing the final inspection, all finished products will be packed for delivery.

During the Track Record Period, the lead time between the initial stage of the development of product designs and the placing of orders by the customers ranged from approximately 13 days to 252 days, and the lead time between the placing of orders by the customers and delivery ranged from approximately 30 days to 217 days. The actual lead time depends on a number of factors, such as the quantity of an order, the complexity of product design, the availability of raw material, and the delivery time required by the Group's suppliers and/or specified by the customers.

Logistics services

As part of the apparel supply chain management services, the Group will ensure that appropriate logistics for the delivery of the finished products to the port specified by the customers are made by the third-party manufacturers. After packaging, the third-party manufacturers engaged by the Group will generally arrange for the delivery of the finished products to Hong Kong before they are shipped or transferred to the designated forwarder of the Group's customers.

The majority of the knitwear products are delivered to the customers on FOB terms as stipulated in the customers' purchase orders as well as the production orders entered into between the Group and the third-party manufacturers. The Group does not bear any risk for any damage to the products after the products have reached the customers' designated ports of shipment. This means that the Group's responsibility is to ensure that the knitwear products are delivered to the appropriate points of shipment designated by the customers.

For further information on the typical delivery details, please refer to the section headed "Business — Customers — Salient terms of a typical sales transaction" in this prospectus.

QUALITY CONTROL

As an apparel supply chain management services provider, the Group's services encompass the total supply chain from the selection of raw materials until the final delivery of finished products to the customers at their designated port of shipment. The Group places great emphasis on the quality of its knitwear products and the Directors believe that the commitment to the high standard for quality control of its knitwear products is one of the key factors contributing to the Group's success. Stringent quality control procedures such as inspection of the finished products by a third party inspection centre before shipping to the customers and monitoring the production process by keeping a production schedule have been established throughout the total supply chain so as to ensure the quality of the knitwear products are supplied in consistently reliable and high standard.

Quality control of raw materials

To ensure that the raw materials meet the standards and specifications as required by the customers, the Group will from time to time communicate the relevant requirements to its suppliers. The Group will also include such terms in the purchase orders with its suppliers that the raw materials supplied shall meet the quality requirements. Any raw materials that fail to meet the standards will be returned to the supplier for replacement.

Quality control of production management

To ensure that the quality of the knitwear products are in conformity with the customers' specifications, the Group will perform random checking on semi-finished products produced by the third-party manufacturers at various stages of the production process. To ensure that the colour conforms to the customers' specifications and standards, the Group will visually inspect the colour on the semi-finished and finished products with colour check light box. The merchandising quality control staff will check whether the semi-finished products are free from major defects and to ensure that the knitting patterns match the customers' design and specifications. Before packaging for delivery, all finished products will be checked by a third-party inspection centre. Any products that fail to meet the standards will be notified to the third-party manufacturers for rectification.

The Directors consider that the capability of the Group in quality assurance is evidenced by the fact that the Group had not experienced any significant product return, redelivery or material quality disputes with its customers during the Track Record Period. The Directors believe that the Group's commitment to high quality and reliability helps strengthen the recognition and trust among its customers which would in turn result in increased sales of the Group.

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PRODUCTS

The Group's knitwear products can be divided into two categories, namely womenswear and menswear. During the Track Record Period, the Group's knitwear products are mainly for women. The following table sets out a breakdown of the Group's revenue during the Track Record Period by categories:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Womenswear	360,390	90.6	363,294	83.5	206,459	78.5	242,803	77.9
Menswear	37,578	9.4	71,912	16.5	56,490	21.5	68,822	22.1
	<u>397,968</u>	<u>100.0</u>	<u>435,206</u>	<u>100.0</u>	<u>262,949</u>	<u>100.0</u>	<u>311,625</u>	<u>100.0</u>

All the Group's knitwear products are manufactured in accordance with the specifications and requirements set out by the Group's customers in the sales orders and/or designs recommended or inspired by the Group. The following table sets out a breakdown of the Group's revenue during the Track Record Period by design origination:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Designs developed by the Group	142,324	35.8	175,028	40.2	130,855	49.8	134,541	43.2
Designs developed by customers	<u>255,644</u>	<u>64.2</u>	<u>260,178</u>	<u>59.8</u>	<u>132,094</u>	<u>50.2</u>	<u>177,084</u>	<u>56.8</u>
	<u>397,968</u>	<u>100.0</u>	<u>435,206</u>	<u>100.0</u>	<u>262,949</u>	<u>100.0</u>	<u>311,625</u>	<u>100.0</u>

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Sales volume

During the Track Record Period, the sales volume of the Group amounted to approximately 7,522,000, 8,352,000 and 5,350,000 units of finished knitwear products respectively. Set out below are the total sales quantities of each product category during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	Units sold (‘000)	%	Units sold (‘000)	%	Units sold (‘000) (unaudited)	%	Units sold (‘000)	%
Womenswear	7,179	95.4	7,010	83.9	3,928	77.9	4,162	77.8
Menswear	343	4.6	1,342	16.1	1,114	22.1	1,188	22.2
	<u>7,522</u>	<u>100.0</u>	<u>8,352</u>	<u>100.0</u>	<u>5,042</u>	<u>100.0</u>	<u>5,350</u>	<u>100.0</u>

Average selling price and gross profit margin

Set out below are the average selling prices per unit of finished product sold by the Group to its customers for each product category during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	Price range	Average selling price (Note) HK\$	Price range	Average selling price (Note) HK\$	Price range	Average selling price (Note) HK\$	Price range	Average selling price (Note) HK\$
Womenswear	30.8–326.0	50.2	21.8–378.3	51.8	21.8–282.0	52.6	32.8–922.7	58.3
Menswear	41.3–655.2	109.7	36.3–499.2	53.6	36.3–499.2	50.7	39.0–397.8	58.0
Total average selling price		<u>52.9</u>		<u>52.1</u>		<u>52.2</u>		<u>58.2</u>

Note: The average selling price represents the revenue for the year/period divided by the total sales quantities for that year/period.

The selling price of each of the product categories depends primarily on, among other things, (i) the complexity of the product design; (ii) the size of an order; (iii) the delivery schedule set out by customers; (iv) the costs of raw materials; and (v) the production costs as quoted by the third-party manufacturers. Accordingly, the selling price of the Group’s products may differ considerably in different purchase orders by different customers.

BUSINESS

Set out below are the average gross profit margin for each product category during the Track Record Period:

	For the year ended 31 March		For the eight months ended 30 November	
	2015	2016	2015	2016
	%	%	%	%
			<i>(unaudited)</i>	
Womenswear	15.1	15.1	14.5	15.2
Menswear	<u>21.9</u>	<u>13.0</u>	<u>10.4</u>	<u>12.5</u>
Overall	<u><u>15.7</u></u>	<u><u>14.7</u></u>	<u><u>13.6</u></u>	<u><u>14.6</u></u>

Set out below are the gross profit margin for the Group's products during the Track Record Period by design origination:

	For the year ended 31 March		For the eight months ended 30 November	
	2015	2016	2015	2016
	%	%	%	%
			<i>(unaudited)</i>	
Designs developed by the Group	12.9	13.6	11.2	13.6
Designs developed by customers	<u>17.3</u>	<u>15.5</u>	<u>15.9</u>	<u>15.3</u>
Overall	<u><u>15.7</u></u>	<u><u>14.7</u></u>	<u><u>13.6</u></u>	<u><u>14.6</u></u>

During the Track Record Period, the Group's overall gross profit margin slightly decreased from approximately 15.7% for the year ended 31 March 2015 to approximately 14.7% for the year ended 31 March 2016. The decrease in the Group's overall gross profit for the year ended 31 March 2016 as compared to that of the previous year was mainly attributable to more sales volume on the low-priced menswear which had a lower profit margin whereas the gross profit for womenswear remained stable. The Group's overall gross profit margin increased to approximately 14.6% for the eight months ended 30 November 2016 from approximately 13.6% for the eight months ended 30 November 2015. Please refer to the section headed "Financial information — Consolidated statements of profit or loss and other comprehensive income — Gross profit and gross profit margin" in this prospectus for further information on the Group's overall gross profit.

CUSTOMERS

Characteristics of the Group's customers

The Group's customers primarily include owners or sourcing agents of apparel retail brands based in Japan, which products are marketed and sold under their own brands. During the Track Record Period, the Group sourced and supplied its knitwear products for over 140 Japanese fashion brands and there were 27, 22 and 22 customers who contributed to the Group's revenue respectively. The Group generally takes orders from the apparel retail brand owners directly and/or the designated sourcing agents engaged by the apparel retail brand owners.

Based on previous experience of dealing with Japanese customers, the Directors understand that it is a common practice for certain apparel retail brand owners to engage sourcing agents as their intermediate to source for apparel, arrange for logistic, liaise with, and make payment to the sellers, which is in line with the market practice in the Japanese apparel industry. The Directors consider that by engaging the sourcing agents to deal with the supply chain management providers, the brand owners would be able to focus their resources on the retail business through streamlining their administrative functions such as sourcing raw materials and suppliers, warehousing and logistic arrangement as they do not have to separately engage different parties to provide different types of services at each stage in the apparel supply chain. As at 30 November 2016, the Group had 22 customers, of which 5 were sourcing agents of Japanese apparel retail brands and 17 were brand owners.

All of the Group's knitwear supplied to its customers are produced by the third-party manufacturers in accordance with the specifications and requirements set out by the customers. The Group has its own discretion to choose and engage the third parties manufacturers with reference to the product types and specifications. At the request of certain major customers, the Group shall procure the third parties manufacturers to undertake that the dyed yarn should not contain any harmful or toxic chemicals under the applicable Japanese laws and regulations. To ensure the compliance requirements and colour of dyed yarn conforms to the customers' specifications, the Group will provide the lab-dip samples for customers' approval before production. Save and except for the aforesaid compliance requirements of dyed yarn, the Group did not receive any code of conducts from its customers with which the Group is required to comply. During the Track Record Period, the Directors confirm that none of the customers has designated any third parties manufacturers for producing their products which were supplied by the Group and no material complaints has been received and no claim has been made against the Group by its customers in relation to the breach of compliance requirements of dyed yarn.

BUSINESS

Location of customers

During the Track Record Period, majority of the Group's knitwear products were sold to Japan. The Group's products were also sold to Hong Kong, the PRC, Taiwan, France, the USA, Australia and South Africa. The following table sets out a breakdown of the Group's revenue by geographical segments (according to the locations where the Group's products were sold) during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					<i>(unaudited)</i>			
Japan	367,251	92.3	390,801	89.8	235,865	89.7	288,884	92.7
Hong Kong	22,595	5.7	29,515	6.8	17,904	6.8	14,473	4.6
The PRC	4,533	1.1	10,736	2.5	6,056	2.3	7,076	2.3
Other locations								
<i>(Note)</i>	<u>3,589</u>	<u>0.9</u>	<u>4,154</u>	<u>0.9</u>	<u>3,124</u>	<u>1.2</u>	<u>1,192</u>	<u>0.4</u>
Total	<u>397,968</u>	<u>100.0</u>	<u>435,206</u>	<u>100.0</u>	<u>262,949</u>	<u>100.0</u>	<u>311,625</u>	<u>100.0</u>

Note: Other locations comprise Taiwan, France, the USA, Australia and South Africa.

Top five customers

The percentage of revenue contributed by the largest customer for the two years ended 31 March 2016 and the eight months ended 30 November 2016, amounted to approximately 43.9%, 50.8% and 50.9% respectively, while the percentage of revenue contributed by the five largest customers combined amounted to approximately 86.9%, 90.4% and 92.1% respectively. The top five customers of the Group during the Track Record Period have maintained business relationships with the Group for a period ranging from about 5 to 15 years.

BUSINESS

Set out below is a breakdown of the Group's revenue by major customers in terms of revenue contribution:

For the year ended 31 March 2015:

<u>Rank</u>	<u>Customer</u>	<u>Revenue</u> <i>HK\$'000</i>	<u>As % of total revenue</u> %
1	Marubeni	174,871	43.9
2	Toyoshima and Co., Ltd.	98,312	24.7
3	World Production Partners Co., Ltd	40,654	10.2
4	Mitsubishi Corporation Fashion Co., Ltd.	16,184	4.1
5	ITOCHU Corporation	<u>15,920</u>	<u>4.0</u>
Five largest customers combined		345,941	86.9
All other customers		<u>52,027</u>	<u>13.1</u>
Total revenue		<u><u>397,968</u></u>	<u><u>100.0</u></u>

For the year ended 31 March 2016:

<u>Rank</u>	<u>Customer</u>	<u>Revenue</u> <i>HK\$'000</i>	<u>As % of total revenue</u> %
1	Marubeni	221,138	50.8
2	Toyoshima and Co., Ltd.	90,872	20.9
3	World Production Partners Co., Ltd	35,956	8.3
4	Customer F	30,153	6.9
5	Nippon Steel and Sumikin Bussan Corporation	<u>15,421</u>	<u>3.5</u>
Five largest customers combined		393,540	90.4
All other customers		<u>41,666</u>	<u>9.6</u>
Total revenue		<u><u>435,206</u></u>	<u><u>100.0</u></u>

BUSINESS

For the eight months ended 30 November 2016:

<u>Rank</u>	<u>Customer</u>	<u>Revenue</u> <i>HK\$'000</i>	<u>As % of total revenue</u> %
1	Marubeni	158,662	50.9
2	Toyoshima and Co., Ltd.	72,114	23.1
3	World Production Partners Co., Ltd	34,025	10.9
4	Customer F	14,638	4.7
5	Nippon Steel and Sumikin Bussan Corporation	<u>7,927</u>	<u>2.5</u>
	Five largest customers combined	287,366	92.1
	All other customers	<u>24,259</u>	<u>7.9</u>
	Total revenue	<u><u>311,625</u></u>	<u><u>100.0</u></u>

All of the Group's top five customers during the Track Record Period are Independent Third Parties. To the best knowledge of the Directors, none of the Directors, their close associates, or any Shareholders (which to the knowledge of the Directors owns more than 5.0% of the Company's issued share capital upon completion of the Share Offer) had any interest (direct or indirect) in any of the Group's five largest customers during the Track Record Period.

BUSINESS

Set out below is the background information of the Group's top five customers during the Track Record Period:

Customer	Types of customers	Number of brands supplied by the Group			Business activities	Headquarters location	Year(s) of business relationship with the Group	Typical payment method
		For the year ended 31 March		For the eight months ended 30 November 2016				
		2015	2016					
Marubeni	Sourcing agent of apparel retail brands	1	3	3	Wholesale of fashion apparel garments and accessories	Japan	9	Letter of credit at sight
Toyoshima and Co., Ltd.	Sourcing agent of apparel retail brands	86	64	62	Textiles and garments export	Japan	11	Letter of credit at sight
World Production Partners Co., Ltd	Owner of apparel retail brands	27	29	26	Apparel/fashion accessories planning and proposal, production control, sourcing new suppliers and trading	Japan	8	Letter of credit at sight
Mitsubishi Corporation Fashion Co., Ltd.	Sourcing agent of apparel retail brands	3	3	1	Textiles development, product planning, manufacturing, sales and logistics in the fields of apparel and fashion	Japan	15	Letter of credit at sight
ITOCHU Corporation	Sourcing agent of apparel retail brands	17	19	10	Domestic trading, import/export, overseas trading, finance and business investment	Japan	11	Letter of credit at sight
Customer F	Owner of apparel retail brands	2	2	3	Apparel, accessories trading and/or retail business	Japan	6	Letter of credit at sight
Nippon Steel and Sumikin Bussan Corporation	Sourcing agent of apparel retail brands	7	7	4	Materials development, product planning, production and distribution of apparel, centering on OEM production for apparel makers	Japan	5	Letter of credit at sight

Marubeni is a group of companies which include a company dually listed on the Tokyo Stock Exchange and Nagoya Stock Exchange and its subsidiaries provide wholesale of fashion apparel garments and accessories. The principal business of Marubeni comprises five segments, namely, (i) food and consumers' products; (ii) chemical and forest products; (iii) energy and metal; (iv) power projects and plant; and (v) transportation and industrial machinery. According to the consolidated financial results of Marubeni for the year ended 31 March 2016, its revenue and net profit were approximately JPY7,300.3 billion and approximately JPY67.5 billion for the year ended 31 March 2016, respectively.

Toyoshima and Co., Ltd. is a private company incorporated in Japan and its subsidiaries. Toyoshima and Co., Ltd. principally carries on the business of wholesale of raw materials (cotton, wool, etc), yarns, textiles and garments export, import and tripartite trade, sales of large-sized electric equipment for buildings and building materials; design and construction of building. According to its financial report published on its website, it recorded a revenue of approximately JPY186.5 billion and a net profit of approximately JPY3.8 billion for the year ended 30 June 2015, respectively.

World Production Partners Co., Ltd is a private company incorporated in Japan and is principally engaged in apparel/fashion accessories planning and proposal, production control, sourcing new suppliers and trading. The parent company of World Production Partners Co., Ltd is a private company incorporated in Japan and its principal business is planning and sales of clothing for women, men and children, and other products. According to the financial result of World Production Partners Co., Ltd's parent company published on its website, its revenue and net profit were approximately JPY278.2 billion and approximately JPY764 million for the year ended 31 March 2016, respectively.

Mitsubishi Corporation Fashion Co., Ltd. carries on the business of material development, product planning, and production management in the fields of apparel and fashion. The parent company of Mitsubishi Corporation Fashion Co., Ltd. is a company dually listed on the Tokyo Stock Exchange and Nagoya Stock Exchange and its principal business comprises eight segments, namely, (i) global environmental and infrastructure business; (ii) industrial finance, logistics and development; (iii) energy business; (iv) metals; (v) machinery; (vi) chemicals; (vii) living essentials; and (viii) business service. According to the consolidated financial results of the parent company of Mitsubishi Corporation Fashion Co., Ltd. for the year ended 31 March 2016, it recorded a revenue of approximately JPY6,925.6 billion and a net loss of approximately JPY132.7 billion for the year ended 31 March 2016.

ITOCHU Corporation is a group of companies which include a company listed on the Tokyo Stock Exchange and its subsidiaries carry on the business of the manufacturing and wholesale of apparel. The principal business of ITOCHU Corporation comprises four segments, namely, (i) energy and chemical; (ii) information and communication technology, general products and realty; (iii) metals and minerals; and (iv) food. According to the consolidated financial results of ITOCHU Corporation for the year ended 31 March 2016, its revenue and net profit were approximately JPY5,083.5 billion and approximately JPY276.4 billion for the year ended 31 March 2016, respectively.

Customer F is a group of companies which their ultimate holding company is a company listed on the Tokyo Stock Exchange and its subsidiaries carry on the business of specialty retailing of private label apparels, designing and selling of women's fashion apparel and accessories. Customer F principally carries on the business of apparel, accessories trading and/or retailing. According to the financial result of Customer F's parent company, its revenue and net profit were approximately JPY69.5 billion and JPY3.5 billion for the year ended 31 January 2017, respectively.

Nippon Steel and Sumikin Bussan Corporation is a company listed on the Tokyo Stock Exchange and its subsidiaries carry on the business of in the materials development, product planning, production, and distribution of apparel. The principal business of Nippon Steel and Sumikin Bussan Corporation comprises four segments, namely, (i) steel; (ii) industrial supply and infrastructure; (iii) textile; and (iv) foodstuffs. According to the summary of consolidated financial results of Nippon Steel and Sumikin Bussan Corporation for the year ended 31 March 2016 as published on its website, its net sales and net profit were approximately JPY1,930.8 billion and approximately JPY18.4 billion for the year ended 31 March 2016, respectively.

Master supply agreement entered into between the Group and its largest customer, Marubeni

Marubeni is a designated sourcing agent of a Japanese leisure and casual brand which ranked third in terms of retail value in Japan apparel retail industry in 2015 as stated in the Euromonitor Report. It is also a company dually listed on the Tokyo Stock Exchange and Nagoya Stock Exchange and its principal business includes, among others, the wholesale of fashion apparel garments and accessories. During the Track Record Period, the Group's revenue derived from Marubeni accounted for approximately 43.9%, 50.8% and 50.9% of the Group's total revenue, respectively. The Group has established and maintained over 9 years business relationship with Marubeni.

On 1 March 2015, the Group entered into a master supply agreement ("**Master Supply Agreement**") with Marubeni, pursuant to which the Group agreed to sell and Marubeni agreed to purchase the knitwear products, which have been supplied by the Group in accordance with the specification provided by Marubeni's Client at the agreed purchase price as set out in each purchase order. The Master Supply Agreement does not stipulate any minimum order quantity for the Group's products for a specific period. In addition, the Group is required to procure its suppliers to conform to the product-specific standards and requirements. The term of the Master Supply Agreement became effective for an initial term of one year from the date of Master Supply Agreement and shall be automatically extended for additional periods of one year each unless either party gives the other party not less than 90 days prior notice to terminate the Master Supply Agreement. During the Track Record Period and up to the Latest Practicable Date, the Directors confirm that the Group had not breached any covenants contained in the Master Supply Agreement.

Apart from the Master Supply Agreement, the parties have not entered into any sales agreement or committed any minimum order quantities, which the Directors consider that this is in line with the common practice in the apparel supply management industry. For each transaction, Marubeni will place a purchase order with the Group and the Group will confirm the purchase by issuing a sales confirmation in return. For further information on the typical sales transaction, please refer to the section headed "Business — Customers — Salient terms of a typical sales transaction" in this prospectus.

Pursuant to the terms of the Master Supply Agreement, Marubeni or its client retains exclusive ownership of all rights, title and interests in the intellectual properties of the products produced for them. The Group has the obligations not to infringe their intellectual property rights and will be subject to liability if the Group is in breach of its obligations.

In the same year, the Group was granted the "Best Partner Award" by Marubeni's Client in recognition of the quality of the Group's products. The Directors believe that the Group's firm commitment to provide high quality and reliable services helps strengthening the relationships between the Group and its customers, which would increase sales of the Group.

Pricing strategies

The Group usually determines the price on a cost-plus basis and prices are generally quoted in USD. The Group will generally take in consideration the costs of raw material, the size of the order, the complexity of the product design, the production costs as quoted by the third-party manufacturers, as well as the estimated time required as factors in determining the prices of the Group's products. In view of the different budgets of different customers, the Group will in general provide designs or recommendations that are tailored for the specific customer's budget and preferences.

Please refer to the paragraph headed "Average selling price and gross profit margin" under the paragraph headed "Products" of this section for the average selling prices of the Group's products during the Track Record Period.

Salient terms of a typical sales transaction

The Group does not enter into long-term agreements with its customers and the Directors believe that this is in line with the common practice in the apparel supply chain management industry. In a typical sales transaction, the customer or its sourcing agent will place a purchase order with the Group, and the Group will confirm the purchase by issuing a sales confirmation in return. Set out below are the salient terms of a sales transaction:

(i) *Product description:*

A brief description of the products, including the product designs and specification, materials to be used, colour and size, is specified.

(ii) *Order details:*

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

(iii) *Payment terms:*

The Group generally grants a credit period of up to 90 days to its major customers based on factors such as years of business relationship with the customers and their reputation and payment history. Alternatively, the Group normally requires the customers to settle in full by letter of credit upon the delivery of goods.

(iv) *Delivery details:*

The estimated delivery time is specified, which usually ranged from approximately 30 to 171 days from the date of the purchase order. The usual delivery term is FOB. The Group is responsible for the transportation of the goods to the port of shipment and loading costs whilst the customers shall be responsible for costs such as marine freight transport, insurance,

unloading, and transportation from the arrival port to the final destination. The risk in and title to the products are passed to the customers upon the arrival and unloading of the products at the shipment port.

(v) *Other:*

Some of the Group's customers may also specify that certain raw materials, such as tags and labels, shall be sourced from suppliers nominated by the customers.

The Group's policy on design rights

The Group has policies and procedures to protect the intellectual properties of the Group and its customers. The product design sketches and instruction sheets may contain confidential information regarding proprietary product designs of the Group's customers. Such confidential documents for each of the respective customers will be stored in the designated place and only the responsible merchandising team, design staff and authorised personnel are allowed to access such information. The Group's employees are forbidden to reproduce or publicise any information related to the product designs of the Group and/or its customers. Any waste paper containing sketches and/or product designs of the Group or its customers is required to record in the Group's design register and provide to the administrative department for central management before destruction.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge, information and belief of the Directors, the Directors were not aware of any infringement or potential infringement by any member of the Group of the intellectual property rights owned by any third parties, and no material complaint was received and no claim was made against the Group by its customers in relation to infringement of their intellectual property rights.

Seasonality

The apparel market exhibits seasonality and is subject to dynamic changes in trends and consumers' preferences. The Group generally records higher sales from August to January for the autumn/winter products as the customers have higher demand for knitwear products such as pullovers and cardigans for their autumn/winter collections. The sales generated in these months in aggregate accounted for approximately 71.7% and 68.2% of the Group's total revenue for each of the two years ended 31 March 2016. The Group's operating results for the peak season should not be taken as an indication of the Group's performance for the entire financial year.

Other than seasonality, any unexpected and abnormal changes in climate may affect the sales of the Group's knitwear products which, in turn, may have material adverse impact to the operation and profitability of the Group. For further details, please refer to the section headed "Risk factors — The Group's business is subject to risks related to extreme changes in weather conditions and seasonality trends" in this prospectus.

Sustainability of the Group's business in view of the reliance on major customer

During the Track Record Period, the percentage of the revenue attributable to the Group's five largest customers amounted to approximately 86.9%, 90.4% and 92.1% of the Group's total revenue for the two years ended 31 March 2016 and the eight months ended 30 November 2016, respectively, while the percentage of the revenue attributable to the Group's largest customer, Marubeni, amounted to approximately 43.9%, 50.8% and 50.9% respectively for the same period. Please refer to the section headed "Risk factors — The Group relies on several major customers and has not entered into long-term contracts with them. This may materially and adversely affect the Group's business, prospects, financial condition and results of operations" in this prospectus for the customer concentration risk.

Despite the fact that the aforesaid figures during the Track Record Period exhibit certain degree of customer concentration, the Directors are of the view that the Group's reliance on its major customer would not impact on the Group's suitability for the Listing for the following reasons:

- (i) the Group has maintained business relationship with Marubeni for more than 9 years. Over the years of collaboration with Marubeni, the Group has accumulated an in-depth understanding of the quality requirements of Marubeni as well as its client, which provides the Group with a competitive edge to secure continuous orders from it. As evidenced by the continuous purchases from Marubeni and the Master Supply Agreement, the Directors believe that the Group and Marubeni have cultivated mutual understanding, trust and smooth operation over years. In 2015, the Group also received the "Best Partner Award" from Marubeni's Client. The Directors believe this demonstrates the Group's consistent and reliable supply of quality products to Marubeni's Client. The Directors believe that the established strategic relationship is beneficial to the business development of both parties by allowing them to focus and leverage on their respective strengths in the industry and benefit from economies of scale.

According to the Euromonitor Report, in terms of retail value sales in 2015, Marubeni's Client ranked third in the apparel brands in Japan. Marubeni's Client is a wholly-owned subsidiary of a company dually listed on the Tokyo Stock Exchange and the Main Board of the Stock Exchange, the principal business of which is apparel designing and retail business operating in Japan and overseas. According to the interim report for the six months ended 29 February 2016 of the Client's Parent, the Client's Parent plans to accelerate the opening of new stores for Marubeni's Client in Japan and to launch the brand of Marubeni's Client in the Chinese Market. In mid-October 2016, the Client's Parent further announced its plan to open approximately 50 oversea stores for Marubeni's Client in the coming years, of which 2 new stores have been opened in Tsim Sha Tsui and Causeway Bay in late March and early April 2017, respectively. The Directors believe that the additional sales points of Marubeni's Client would lead to an increase in the demand of the Group's apparel supply chain management services;

- (ii) the Directors recognise that reducing the Group's reliance on its largest customer is critical to achieve sustainable long-term growth. As at 31 January 2017, the Group has sales order on hand in total amount of approximately HK\$67.9 million, of which approximately HK\$28.5 million was placed by the customers other than Marubeni, representing approximately 41.9% of the total amount of the sales order on hand. Further, the percentage of the Group's revenue contributed by Marubeni has slightly decreased from approximately 50.9% for the eight months ended 30 November 2016 to approximately 49.8% for the ten months ended 31 January 2017.

Leveraging on the Group's track record and experience in the Japan apparel market, the Group will continue to diversify its customer base through extensive sales and marketing activities. In July and October 2016 and March 2017, the Group co-organised a total of three three-day private exhibitions with one of its top five customers for promoting the Group's knitwear products to various brand owners in Japan. As a result of the Group's effort during the exhibitions and various marketing activities, the Group recorded sales amounts from 53 new fashion brands of approximately HK\$21.1 million for the ten months ended 31 January 2017. Despite the fact that the aforesaid amount only accounted for approximately 5.2% of the Group's unaudited revenue for the ten months ended 31 January 2017, this demonstrated that the Group has the capability to solicit new businesses from other potential customers as well as to further expand its business through extensive sales and marketing effort to reduce reliance on Marubeni.

In view of the positive feedback on the exhibition, the Directors plan to allocate part of the net proceeds of the Share Offer to organise private exhibitions as regular events in order to further diversify and expand its customer base. The Group also plans to have its own office and showroom in Japan in order to attract and better serve the new customers who are not willing to travel abroad. Please refer to the section headed "Business — Business strategies" in this prospectus for further details. In view of the Group's swift progress on reduce reliance on its largest customer, the Directors do not foresee any difficulty for the Group to continue expanding its customer base and diverting its revenue sources in the future. The Directors expect the Group's continuous efforts to expand its product mix as well as its customer base would enable the Group to reduce its reliance on Marubeni effectively; and

- (iii) the Group has strived to explore new product spectrums and broaden its customer base that have enabled the Group to capture new business opportunities. The Group has confirmed sales orders of 53 new fashion brands for the ten months ended 31 January 2017. The Directors are of the view that the apparel market in Japan is highly fragmented and therefore, offer enormous opportunities to the Group to expand its business and penetrate into the apparel market in Japan. Going forward, the Group intends to expand and diversify its customer base as well as to cope with the increasing customer base and sales orders by (i) proactively approaching the potential customers; (ii) participating in more trade shows and fashion shows; (iii) broadening its existing products types to include cut-and-sewn knitwear and seamless knitwear to attract potential customers who are focusing on products other than knitwear products; and (iv) enhancing its design and development capabilities. Please refer to the section headed "Business — Business strategies" in this prospectus for further details.

SUPPLIERS

Characteristics of the Group's suppliers

The Group's suppliers include raw material suppliers as well as third-party manufacturers which manufacture all kinds of knitwear products. The Group will engage the third-party manufacturers to manufacture knitwear products including sample and finished products. The Group has established stable and close working relationship with its top five suppliers for a period ranging from 5 to 8 years. During the Track Record Period, the Group engaged approximately 130, 119 and 47 raw material suppliers and approximately 12, 11 and 13 third-party manufacturers, respectively.

Raw material suppliers

The Group's major raw materials are yarn, which are mainly blended with different materials such as cotton, wool, lycra, etc. During the Track Record Period, the Group's key raw material suppliers were mainly located in the PRC and Hong Kong. Apart from yarn, the Group also purchases other raw materials including buttons, zippers and other accessories for the knitwear products. During the Track Record Period, the cost of raw materials and consumable used amounted to approximately HK\$90.8 million, HK\$77.7 million and HK\$60.2 million, representing approximately 27.1%, 20.9% and 22.6% of the Group's total cost of sales, respectively.

During the Track Record Period, the Group did not encounter any material shortage in the supply of the required raw materials from its suppliers.

Third-party manufacturers

All of the Group's knitwear products are produced by third-party manufacturers with manufacturing operations in the PRC and/or Thailand. During the Track Record Period, the subcontracting charges amounted to approximately HK\$238.1 million, HK\$282.8 million and HK\$198.9 million, representing approximately 71.0%, 76.2% and 74.7% of the Group's total cost of sales, respectively. The Group generally procures and provides the raw materials to the third-party manufacturer for the production. Most of the finished products are delivered to Hong Kong before shipment. For those knitwear products manufactured in Thailand, the Group typically requires the third-party manufacturer to source and procure the raw materials as specified by the customers and then export the finished products to the customers directly.

During the Track Record Period, the Group did not experience any material delays by its third-party manufacturers in the delivery of their finished products which caused the Group to suffer any losses or claims.

Location of suppliers

During the Track Record Period, the Group's top suppliers whose manufacturing factories are located in the PRC and/or Thailand. The Group generally liaises with their Hong Kong office to obtain the quotations and finalise purchase orders.

BUSINESS

Top five suppliers

Purchase from the Group's top five suppliers for the two years ended 31 March 2016 and the eight months ended 30 November 2016 in aggregate accounted for approximately 65.2%, 71.3% and 76.1% of the Group's cost of sales, respectively, while purchase from the Group's largest supplier accounted for approximately 31.7%, 31.0% and 25.6% of the Group's cost of sales, respectively.

Set out below is a breakdown of the Group's cost of sales by top five suppliers of the Group during the Track Record Period:

For the year ended 31 March 2015:

<u>Rank</u>	<u>Supplier</u>	<u>Purchase</u> <i>HK\$'000</i>	<u>As % of total cost of sales</u> %
1	Supplier A	106,434	31.7
2	Supplier B	47,581	14.2
3	Supplier C	23,238	6.9
4	Supplier D	21,106	6.3
5	Supplier E	<u>20,500</u>	<u>6.1</u>
Five largest suppliers combined		218,859	65.2
All other suppliers		<u>116,501</u>	<u>34.8</u>
Total cost of sales		<u><u>335,360</u></u>	<u><u>100.0</u></u>

For the year ended 31 March 2016:

<u>Rank</u>	<u>Supplier</u>	<u>Purchase</u> <i>HK\$'000</i>	<u>As % of total cost of sales</u> %
1	Supplier A	115,189	31.0
2	Supplier C	59,580	16.1
3	Supplier D	32,912	8.9
4	Supplier F	29,699	8.0
5	Supplier B	<u>26,936</u>	<u>7.3</u>
Five largest suppliers combined		264,316	71.3
All other suppliers		<u>106,743</u>	<u>28.7</u>
Total cost of sales		<u><u>371,059</u></u>	<u><u>100.0</u></u>

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For the eight months ended 30 November 2016:

Rank	Supplier	Purchase <i>HK\$'000</i>	As % of total cost of sales %
1	Supplier A	68,090	25.6
2	Supplier F	51,191	19.2
3	Supplier D	32,538	12.2
4	Supplier C	31,274	11.7
5	Supplier B	19,626	7.4
Five largest suppliers combined		202,719	76.1
All other suppliers		63,530	23.9
Total cost of sales		<u>266,249</u>	<u>100.0</u>

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, all of the Group's top five suppliers during the Track Record Period are Independent Third Parties. To the best knowledge, information and belief of the Directors, none of the Directors, their close associates, or any Shareholders (which to the knowledge of the Directors owns more than 5.0% of the Company's issued share capital upon completion of the Share Offer) had any interest (direct or indirect) in any of the Group's five largest suppliers during the Track Record Period.

The table below sets forth the background information of the Group's top suppliers mentioned in the above table:

Supplier	Types of suppliers (third-party manufacturers and raw material suppliers)	Principal products supplied to the Group	Location of manufacturing base	Years of business relationship with the Group	Typical credit terms and payment method
Supplier A	Third-party manufacturer	Knitwear apparel	Thailand	5	30 days by telegraphic transfer
Supplier B	Third-party manufacturer	Knitwear apparel	PRC	8	30 days by cheque
Supplier C	Third-party manufacturer	Knitwear apparel	PRC	8	30 days by cheque
Supplier D	Third-party manufacturer	Knitwear apparel	PRC	6	30 days by cheque
Supplier E	Raw material supplier	Yarn	PRC	8	45 days by cheque
Supplier F	Third-party manufacturer	Knitwear apparel	PRC	7	30 days by telegraphic transfer

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Supplier A is a private company incorporated in Macau with limited liability and its manufacturing operations are located in Thailand. Its principal products supplied to the Group include knitwear apparel.

Supplier B is a private company incorporated in Hong Kong with limited liability, its manufacturing operations are located in the PRC. Its principal products supplied to the Group include knitwear apparel.

Supplier C is a private company incorporated in Hong Kong with limited liability, its manufacturing operations are located in the PRC. Its principal products supplied to the Group include knitwear apparel.

Supplier D is a private company established in the PRC with limited liability. Its principal products supplied to the Group include knitwear apparel.

Supplier E is a private company incorporated in Hong Kong with limited liability. Its principal products supplied to the Group include yarn. It belongs to a company in Hong Kong principally carrying on knitwear, garment, knitting machinery and property development businesses.

Supplier F is a private company established in the PRC with limited liability. Its principal products supplied to the Group include knitwear apparel.

Sustainability of the Group's business in view of the reliance on major suppliers

During the Track Record Period, the Group's purchases from its top five suppliers accounted for approximately 65.2%, 71.3% and 76.1% of the Group's cost of sales, respectively. The Group's purchase from Supplier A accounted for approximately 31.7%, 31.0% and 25.6% of the Group's cost of sales respectively during the same period. Please refer to the section headed "Risk factor — The Group is dependent on third parties for the production of apparel products, any disruption in the relationship with the third-party manufacturers or their manufacturing operations could adversely affect the Group's business" in this prospectus for the supplier concentration risk.

Despite the fact that the aforesaid figures during the Track Record Period exhibit certain degree of supplier concentration, the Directors consider that the Group is not reliant on any single supplier because:

- (i) the Group does not enter into any long-term supply agreement with its suppliers, instead the Group generally places purchase orders with its suppliers on an order-by-order basis. The Directors consider that this practice is in line with the industry norm and the Group would maintain flexibility in supplier selection;
- (ii) it is more cost-effective to allocate production orders to its suppliers for similar products in bulk quantities, which would increase the Group's bargaining power and thereby maintaining the cost of operations at a competitive level;

- (iii) it is the Group's business strategy to source from those suppliers who could provide a steady supply of products to the Group at reasonable prices and with quality assurance; and
- (iv) the Group engaged approximately 12, 11 and 13 third-party manufacturers, respectively, during each of the Track Record Period which provides flexibility to the Group regarding supplier selection.

While the Group endeavours to maintain the established business relationships with its existing suppliers, the Directors also recognise the importance of expanding its supplier base with a view to sustaining long-term growth. The Directors believe that there are many alternative suppliers available in the market which can supply products at comparable market prices and qualities and that the Group should not have any difficulty in purchasing from the alternative suppliers. The Group will continue to identify and approach suitable suppliers to expand its supplier base as well as to cope with the Group's expansion plan.

Criteria for selection of suppliers

The Group selects the suppliers based on a number of criteria including but not limited to the capacity of the suppliers, pricing, product quality and timely delivery. The Group, in most cases, sources the materials from suppliers or engages the third-party manufacturers after the customers have confirmed their orders. The Group does not rely on a single source of supply for any of its raw materials or manufacturing services. The Directors consider that all the principal materials/services required by the Group can be purchased from a number of alternative suppliers at terms comparables to those of the Group's current suppliers.

Salient terms of a typical purchase transaction

The Group does not enter into any long-term supply agreement with its suppliers. Instead, the Group places purchase/production orders with its suppliers after the customers' orders are confirmed. The Directors believe that such practice is in line with the general practice within the industry. Set out below are the salient terms of typical purchase transaction:

(i) *Product description:*

A brief description of the products is contained, including, for raw materials, the types of raw materials, quantity and colour; and for finished products, the type of knitwear, style, main materials required, colour and size.

(ii) *Order details:*

The quantity is specified, i.e., for raw materials, the amount for each type of raw materials; and for finished products, the number of pieces for each colour and/or size. The unit price and the total amount are also specified.

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(iii) *Payment terms:*

The credit terms granted by the Group's top suppliers range from 30 to 45 days. The Group usually settles the payment by cheque or bank transfer.

(iv) *Delivery details:*

For the purchase of raw materials, the Group usually requires its raw material suppliers to deliver the goods to the third-party manufacturer or the Group's warehouse.

For the purchase of finished products, the Group generally requires its third-party manufacturers to deliver the goods directly to the designated forwarder appointed by the Group's customers.

Sensitivity analysis

For reference purpose, the following table illustrates the sensitivity analysis of the estimated increase/decrease of the Group's profit before tax in relation to general percentage changes to the subcontracting charges with reference to the hypothetical fluctuation rates of 10% and 20%, with all other variables being constant.

Hypothetical fluctuations in subcontracting charges	<u>-10%</u>	<u>-20%</u>	<u>+10%</u>	<u>+20%</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(Decrease) in profit before tax				
Year ended 31 March 2015	23,810	47,620	(23,810)	(47,620)
Year ended 31 March 2016	28,283	56,565	(28,283)	(56,565)
Period ended 30 November 2015	17,081	34,161	(17,081)	(34,161)
Period ended 30 November 2016	19,892	39,783	(19,892)	(39,783)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2015	19,881	39,763	(19,881)	(39,763)
Year ended 31 March 2016	23,616	47,232	(23,616)	(47,232)
Period ended 30 November 2015	14,263	28,524	(14,263)	(28,524)
Period ended 30 November 2016	16,610	33,219	(16,610)	(33,219)

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's cost of raw materials and consumable used on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 10%, which is the maximum fluctuation rate during the Track Record Period, and at 20%, which is the double of the maximum fluctuation rate to illustrate the impacts on the profit in a more extreme scenario:

Hypothetical fluctuations in cost of raw materials and consumable used	-10%	-20%	+10%	+20%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(Decrease) in profit before tax				
Year ended 31 March 2015	9,077	18,154	(9,077)	(18,154)
Year ended 31 March 2016	7,766	15,533	(7,766)	(15,533)
Period ended 30 November 2015	4,983	9,966	(4,983)	(9,966)
Period ended 30 November 2016	6,024	12,048	(6,024)	(12,048)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2015	7,579	15,159	(7,579)	(15,159)
Year ended 31 March 2016	6,485	12,970	(6,485)	(12,970)
Period ended 30 November 2015	4,161	8,322	(4,161)	(8,322)
Period ended 30 November 2016	5,030	10,060	(5,030)	(10,060)

INVENTORY CONTROL

The Group's inventories include raw materials and work in progress:

	As at 31 March	As at
	2015	30 November
	<i>HK\$'000</i>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	14,950	9,562
Work in progress	20,004	5,240
	<u>20,004</u>	<u>4,681</u>
	<u>34,954</u>	<u>14,775</u>
Total	<u>34,954</u>	<u>14,243</u>
	<u>20,015</u>	<u>20,015</u>

The Group's inventories consisted of raw materials and work in progress. The Group's major raw materials are yarn, which are mainly blended with different materials. Work in progress represented semi-finished products allocated to the third-party manufacturers which are currently under production.

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As each customer may adopt different designs and/or specify its own preference for raw materials, the Group, in most cases, sources raw materials and other accessories from its suppliers for production only after the customers have confirmed their orders and their specifications. This allows the Group to avoid excessive procurement of raw materials. As such, the Group normally does not maintain high level of inventory of raw materials.

However, some of the Group's major customers may request for bulk purchase with a shorter delivery time and therefore the Group maintains a certain level of inventory for various types of yarn that are commonly used and/or expected to be popular or commonly accepted based on the anticipated fashion trends. On occasion, when the market price of some raw materials, such as wool or cashmere, is relatively low, the Group may purchase additional inventories of that raw material for use in the future. The Directors consider such practice will allow the Group to keep the raw material on a just-in-time basis and to safeguard against any unexpected delays in the supply of raw materials as well as provide flexibility to the Group for receiving additional and increasing orders with short notices from the customers.

The Directors believe that maintaining appropriate levels of inventory is critical to the Group's business operation and on-time delivery of the Group's products. The Group maintains an inventory management policy whereby a physical inventory count is performed on an annual basis to ensure the accuracy and correctness of stock-in and stock-out information on record. The Group will also carry out an inventory review and an ageing analysis on a regular basis to ensure inventories are properly used and that there is no unnecessary accumulation of inventories of old age.

For each of the two years ended 31 March 2016 and the eight months ended 30 November 2016, the Group's average inventory turnover days were 43 days, 24 days and 16 days respectively. For a detailed inventory analysis, please refer to the section headed "Financial information — Inventory analysis" in this prospectus.

INFORMATION SYSTEM

The Group has implemented an ERP system through which the Group is able to monitor the status of its apparel supply chain management services including, product planning, costs management, procurement of raw materials, and logistics. The Directors believe that the use of such data generated from the ERP system allows the Group to manage the process of the customer's order in response to the customers' need and rapidly changing market demand. To ensure the products sold are at the acceptable profit margin, the cost budget for each of the order must be approved by the chief executive officer, before an order can progress to the next stage.

The Directors believe that the ERP system plays an important role in the Group's business operation which streamlines the Group's internal workflow and enables the Group to monitor status at different processes of its business cycle, thereby maximising its operational efficiency.

SALES AND MARKETING

The Group provides apparel supply chain management services for a number of owners or sourcing agents of apparel retail brands and the Directors believe that the Group has established business relationships with its customers due to the delivery of reliable services and high quality products. The merchandising department of the Group is principally responsible for formulating new orders with potential customers, handling enquiries from existing customers, and following up purchase orders. To maintain close relationships with existing customers and foster new business relationships with potential customers of the Group, staff in the merchandising department pays visits to existing customers of the Group in Japan in attempt to keep pace with customers' requirements and development trends and directions. The Group also showcases to potential customers the Group's product designs through face-to-face presentations or by attending exhibitions in Japan.

PRODUCT RETURN AND WARRANTY

All of the Group's knitwear products are subject to final inspections by third-party inspection centres to ensure that the knitwear products are in conformity with the customers' specifications and requirements. The Group does not have a formal product return or warranty policy. Nevertheless, as a responsible supply chain management services provider and in order to maintain the Group's goodwill and the business relationships with its customers, the Group would investigate every incident and offer solutions to its customers to resolve such incident. During the Track Record Period, the Group did not experience any material case of product returns from its customers due to quality issues of the Group's products.

HEDGING

During the Track Record Period, the Group did not engage in any hedging activity.

RESEARCH AND DEVELOPMENT

During the Track Record Period, the Group did not engage in any research and development activity nor incurred any research and development expenses.

OCCUPATIONAL HEALTH AND SAFETY

The Group does not own or operate any manufacturing facilities and therefore the Group is not subject to any manufacturing related safety issues. As required under Hong Kong laws, the Group is required to obtain employees' compensation insurance for its employees. During the Track Record Period, the Group did not make any material claims under its employees' compensation insurance.

ENVIRONMENTAL COMPLIANCE

Since the Group does not own or operate any manufacturing facilities, the Group's operations in Hong Kong are not subject to any specific environmental regulations. As a provider of apparel supply chain management services, the Group engages third-party manufacturers for the production of apparel products for the customers. All of the third-party manufacturers that the Group engaged for the production of the knitwear products during the Track Record Period have manufacturing operations in the PRC and/or Thailand. Information on the third-party manufacturers is set out in the section headed "Business — Suppliers" in this prospectus.

The Group does not have any knowledge that any of the third-party manufacturers engaged during the Track Record Period and as at the Latest Practicable Date, was in breach of any local environmental regulations.

INSURANCE

The Directors believe that the existing insurance coverage is generally adequate to insure against the risks relating to the Group's operations, having taken into account the size and type of the Group's business. The Directors also believe that the insurance coverage is generally in line with the standard commercial practice in the supply chain management industry. The Group's insurance coverage includes employee compensation, personal accident, burglary, fire, any loss or damage to the raw materials inventory, sample products stored within the Group's premises and office. During the Track Record Period and as at the Latest Practicable Date, the Group did not make, or was the subject of, any material insurance claim.

Mandatory provident fund

As required by Hong Kong laws, the Group has enrolled all of its employees in the mandatory provident fund. The Directors confirmed that the Group complied with applicable labour and social welfare laws and regulations in Hong Kong in all material respects, and had made relevant contributions in accordance with such laws and regulations during the Track Record Period.

Social insurances and housing provident fund

According to the Social Insurance Law of the PRC, the Group is required to make social insurance contributions for its employees in the PRC. As at the Latest Practicable Date, the Group maintained social insurance schemes that cover basic pension, medical, work-related injuries, unemployment and maternity expenses for its employees in the PRC. According to the Administrative Regulations on Housing Provident Funds, the Group is also required to make contributions to housing provident fund for its employees in the PRC. As advised by the PRC Legal Advisers, the relevant PRC laws requires an employer to register with the local social insurance agency and the housing provident fund management center within 30 days. Speed Apparel Shenzhen did not file such registrations within 30 days after its establishment. Given that Speed Apparel Shenzhen had filed the relevant registrations in April 2016 and had paid and deposited social insurance premium and housing provident fund for its employer on schedule and in full thereafter, the risks that Speed Apparel Shenzhen will be punished or fined by the relevant administrative department for non-compliance with the aforesaid PRC laws is very low.

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LICENSES AND PERMITS

During the Track Record Period and up to the Latest Practicable Date, the Group had obtained all material requisite licenses, approvals and permits required for its operations in Hong Kong and the PRC respectively.

EMPLOYEES

Number of employees by function

As at 31 March 2015, 31 March 2016, 30 November 2016 and the Latest Practicable Date, the Group had a total of 71, 65, 76 and 74 permanent full-time employees respectively. Set out below is the number of employees by function as at 31 March 2015, 31 March 2016, 30 November 2016 and the Latest Practicable Date:

	<u>As at 31 March</u>		<u>As at</u> <u>30 November</u>	<u>As at the Latest</u> <u>Practicable Date</u>
	<u>2015</u>	<u>2016</u>	<u>2016</u>	
Hong Kong				
Management	4	5	5	5
Design and promotion	6	5	6	5
Merchandising	35	30	39	37
Procurement	7	7	7	7
Accounting	5	5	5	5
Administration and shipping	14	13	13	14
Sub-total	<u>71</u>	<u>65</u>	<u>75</u>	<u>73</u>
PRC				
Administration	<u>—</u>	<u>—</u>	<u>1</u>	<u>1</u>
Sub-total	<u>—</u>	<u>—</u>	<u>1</u>	<u>1</u>
Total	<u><u>71</u></u>	<u><u>65</u></u>	<u><u>76</u></u>	<u><u>74</u></u>

Relationship with staff

The Directors consider that the Group has maintained good relationships with its employees. The Directors confirm that the Group has complied with all applicable labour laws and regulations in Hong Kong and the PRC.

The Directors confirm that the Group did not experience any significant problems with its employees or disruption to its operations due to labour disputes nor did the Group experience any difficulties in the retention of experienced staff or skilled personnel during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by the Group's employees.

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Recruitment policies

The Group generally recruits its employees from the open market mainly through placing recruitment advertisements. The Group recruits employees whom the Directors believe have the relevant skills and working experiences to serve the Group. The Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the Group's business development.

Training and remuneration policy

The Group enters into separate employment contracts with each of its employees in accordance with the applicable employment laws in Hong Kong and the PRC, depending on the location of work of the employee.

The remuneration package offers to the Group's employees generally includes basic salary, bonuses and other cash allowances or subsidies. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary raises, bonuses and promotions based on the performance of each employee.

The Group provides its employees with on-the-job training and as part of the Group's continuing efforts to provide training to its employees, the Group provides financial support to its employees to attend external courses relevant to their job duties for further improvement in their skills and knowledge. The Group also provides training about knitwear products to the employees in the merchandising department.

PROPERTIES

Leased properties

As at the Latest Practicable Date, the Group leased two properties in Hong Kong and the PRC and their details are set out below:

No.	Location	Gross floor area (approximate)	Term/option	Lessor	Key terms of the tenancy	Usage
1	Flat A, 17/F., Gemstar Tower, 23 Man Lok Street, Hung Hom Kowloon, Hong Kong	6,653 sq.ft.	From 1 February 2016 to 31 January 2019	Firenze Apparel	Monthly rental of HK\$100,000 with tenancy period up to 31 January 2019	For godown and ancillary office purpose or other permitted usage
2	深圳市羅湖區 東門南路 西天俊大廈裙樓 三樓3C08 (Room 3C08, 3/F., Tian Jun Annex Building, Dongmen Nan Road, Luohu District, Shenzhen, the PRC)	12 m ²	From 21 January 2017 to 20 January 2018	An Independent Third Party	Monthly rental of RMB1,900 with tenancy period up to 20 January 2018	For office use

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In addition to the leased properties above, part of the knitwear products and raw materials of the Group are stored in the general storage warehouse of an independent third party at 33 Tai Yip Street, Kwun Tong, Kowloon, Hong Kong. The average monthly rent for the two years ended 31 March 2016 and the eight months ended 30 November 2016 are approximately HK\$13,000, HK\$7,000 and HK\$16,000, respectively. During the Track Record Period, the Group did not experience any difficulty in renewing any lease.

Owned properties

During the Track Record Period and prior to the Business Transfer 1 and the Business Transfer 2 which were both completed on 1 February 2016, the Group owned the Eldex Properties and the Gemstar Property (subject to the existing mortgages). As at the Latest Practicable Date, the Group did not own any property.

INTELLECTUAL PROPERTY RIGHTS

Trademark

As at the Latest Practicable Date, the Group was the registered owner of one trademark in Hong Kong. Details of such trademark are set out in the paragraph headed “Intellectual property rights” in Appendix V to this prospectus.

Domain name

As at the Latest Practicable Date, the Group had registered one domain name, being www.speedapparel.com.hk, in Hong Kong. Details of such domain name are set out in the paragraph headed “Intellectual property rights” in Appendix V to this prospectus.

NON-COMPLIANCE

The Directors confirm that the Group had complied with all applicable laws and regulations in all material respects in Hong Kong (being the principal jurisdiction in which the Group operates) during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

The Directors recognise the need for risk management and internal control in the Group’s strategic and operational planning, day-to-day management and decision making process and are committed to manage and minimise the risks that may impact the continued efficiency and effectiveness of the Group’s operations or prevent it from achieving its business objectives.

In preparation of the Listing, the Group had engaged an independent external consulting firm as the Group’s internal control adviser (the “**Internal Control Adviser**”) in January 2016 to undertake a review on the internal control system on entity-level controls, revenue and receipts, procurement and payments, inventory management, fixed assets management, cost of services and payment, human resources and payroll management, bank and cash management, financial

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statements closure and reporting, information technology general controls and compliance procedures of certain rules and regulations. The Internal Control Adviser mainly engages in providing a broad range of corporate governance and risk management advisory, internal audit, internal controls and regulatory compliance services to its customers including listed companies and companies preparing for listing in Hong Kong. The Internal Control Adviser after reviewing the internal control system of the Group, issued a report concerning the internal control system of the Group in May 2016.

Major deficiencies in the internal control measures during the Track Record Period

During the Track Record Period, purchases with certain suppliers were paid and some of the sales proceeds entrusted the third party manufacturers to receive were collected in the PRC through one personal bank account under the name of Mr. Ng, an executive Director, in the PRC (the “Arrangement”). The suppliers and third party manufacturers involved under the Arrangement were the raw material suppliers located in the PRC and the third party manufacturers were the knitwear manufacturers with manufacturing operations located in the PRC, namely Suppliers B and C, which were two of the Group’s top five suppliers for each of the two years ended 31 March 2016. The customers involved under the Arrangement were the PRC subsidiaries of the Group’s Japanese customers which were the Group’s top five customers for each of the two years ended 31 March 2016. Please refer to the section headed “Business — Customers — Top five customers” for further details.

The following table sets out the number of sales/purchase transactions and their respective transaction amounts under the Arrangement for the two years ended 31 March 2016 and the period from 1 April 2016 and up to the date of cessation of the Arrangement (i.e. 28 June 2016):

	For the year ended 31 March		For the period from 1 April 2016 and up to the date of cessation of the Arrangement
	2015	2016	
Payments made to the suppliers under the Arrangement			
Number of transactions	501	292	1
Total transaction amount (approximately RMB’000)	2,707	1,953	823
Sales proceeds collected under the Arrangement			
Number of transactions	99	29	—
Total transaction amount (approximately RMB’000)	3,123	2,058	—

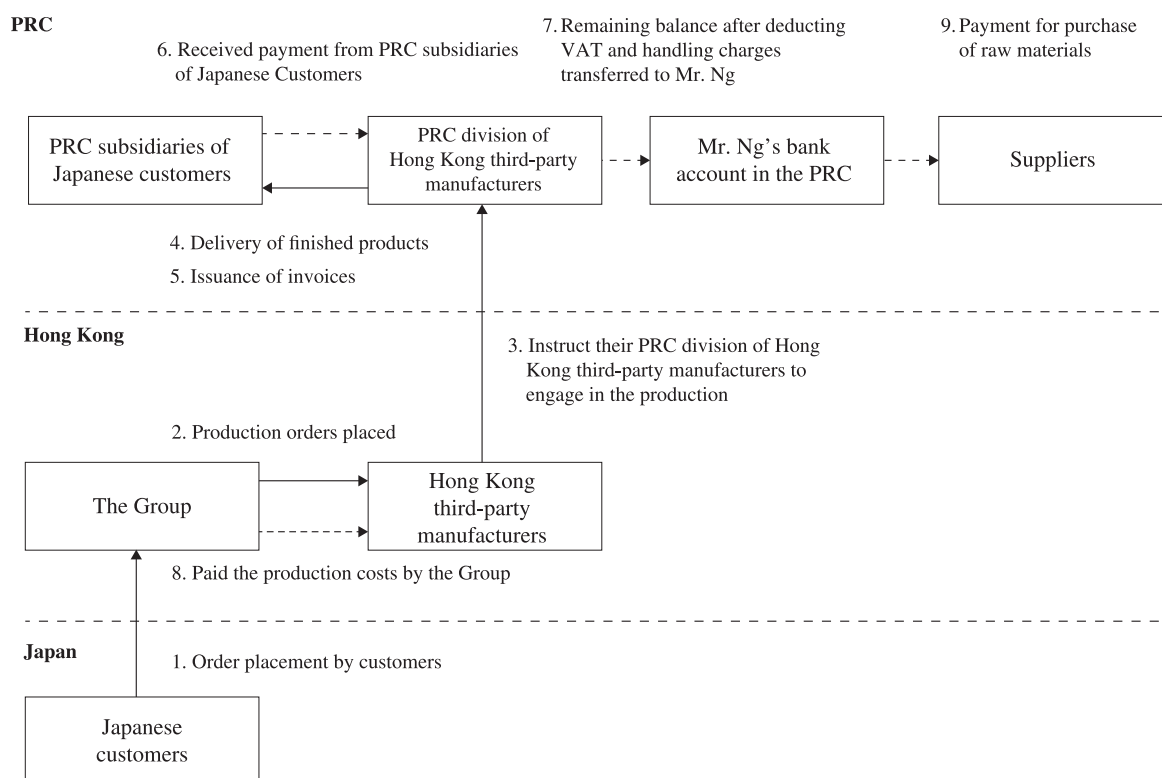
During the Track Record Period, the Group made certain payments to its suppliers under the Arrangement of approximately RMB2.7 million (equivalent to approximately HK\$3.2 million) and RMB2.0 million (equivalent to approximately HK\$2.4 million) respectively, while the Group collected net sales proceeds (after deducting VAT and handling charges) under the Arrangement of approximately RMB3.1 million (equivalent to approximately HK\$3.6 million) and RMB2.1 million (equivalent to approximately HK\$2.5 million) respectively. As at 31 March 2015 and 2016, there were approximately HK\$833,000 and HK\$986,000 kept in this personal bank account, respectively.

Such Arrangement adopted in August 2007 was primarily due to the fact that the Group did not establish its wholly foreign-owned enterprise in the PRC at the material time. Given that some knitwear products ordered by the PRC subsidiaries of the Japanese customers were manufactured and delivered domestically in the PRC and it was the request of the Japanese customers for their PRC subsidiaries to make payment to a corporation established in the PRC in order to obtain the VAT invoices for tax deduction purpose, the Group then entrusted the third party manufacturers with manufacturing operations in the PRC as designated cashiers to receive the sales proceeds in relation to the domestic sales from the PRC subsidiaries of the Group's Japanese customers under the Arrangement and to issue the VAT invoices to the PRC subsidiaries of the Japanese customers. The PRC subsidiaries of the Japanese customers had no objection to adopt the Arrangement. In respect of all these sales proceeds for the domestic sales from the PRC subsidiaries of Japanese customers, they were collected under the Arrangement. For knitwear products manufactured and exported from Thailand, the PRC subsidiaries of the Japanese customers would settle the payment to the Group's Hong Kong bank account in full by telegraphic transfer instead; for all other sales between the relevant Japanese customers and other customers and the Group, they would settle the payments to the Group's Hong Kong bank account in full by letter of credit upon delivery during the Track Record Period.

The Directors were not aware that the Arrangement was not an ideal and proper method as they considered that the use of personal bank account is commonly adopted by a Hong Kong private company in doing business with PRC customers. In preparation for the Listing, the Directors were advised and became aware of such deficiencies in the Arrangement. The Group has promptly sought legal opinions from the PRC Legal Advisers and started to set up its wholly foreign-owned enterprise in the PRC so as to rectify such deficiencies. To ensure the money transfer was in compliance with the applicable PRC laws and regulations, the Group subsequently utilised the remaining bank balances kept in Mr. Ng's bank account for making payments to the Group's suppliers in the PRC after taking the advices from the PRC Legal Advisers. Owing to the fact that the period from February to May is within the traditional slack season of the Group, the remaining bank balances were only fully utilised in June 2016. The Directors confirm that the Group ceased such Arrangement and Mr. Ng closed the said personal bank account in June 2016.

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The following chart illustrates the sales and purchase arrangements between the Group, the third-party manufacturers and the PRC subsidiaries of Japanese customers prior to cessation of the Arrangement:



During the Track Record Period, the Group received purchase orders (including price, quantities and the product specifications) from its Japanese customers which include delivery to the PRC subsidiaries of these Japanese customers. After receiving such purchase orders, the Group placed production orders with its Hong Kong third-party manufacturers (“**HK third-party manufacturers**”) which in turn instructed their PRC division (“**PRC division manufacturers**”) for the production of knitwear products and the PRC division manufacturers delivered the finished products to the PRC subsidiaries of Japanese customers directly. At the request by the Japanese customers, the payment by the PRC subsidiaries of Japanese customers should be made to a corporation in the PRC. Given that the Group did not establish its own entity and had no corporate bank account in the PRC at that time, the Group entrusted the PRC division manufacturers as designated cashiers to receive the sales proceeds from the PRC subsidiaries of its Japanese customers. After delivery of products, the PRC division manufacturers issued the invoices to the PRC subsidiaries of Japanese customers and the PRC subsidiaries of Japanese customers made payment in accordance to the invoices issued by the PRC division manufacturers. Though the payment was made to the PRC division manufacturers as designated cashiers, the Group was still responsible for monitoring the production management throughout the total supply chain management services. After deducting the VAT and handling charges, the PRC division manufacturers would transfer the remaining sales proceeds by way of bank transfer to Mr. Ng’s personal bank account. Such sales proceeds were recognised as the Group’s revenue based on the

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sales amounts agreed with the Japanese customers without taking into account the VAT while the handling charges were recognised as the Group's expenses. Handling charges represented the charges paid to the PRC division manufacturer for handling the sales proceeds entrusted by the Group, which was generally calculated based on 10% of the VAT.

The following is a hypothetical example showing the flow of the net sales proceeds collected by the Group under the Arrangement prior to cessation of the Arrangement (*Note 1*):

(1) The sales amounts agreed between the Group and the Japanese customer for its PRC subsidiary	:	RMB100,000 (sales amounts)
	+	<u>RMB17,000 (VAT) (<i>Note 2</i>)</u>
		RMB117,000
The sales amounts recorded in the Group's account books	:	RMB100,000
(2) Invoice issued by the PRC division manufacturer to the PRC subsidiary of the Japanese customer	:	RMB117,000
(3) The PRC subsidiary of the Japanese customer settled the payment to the PRC division manufacturer	:	RMB117,000
(4) The remaining sales proceeds (after deducting the VAT and handling charges) was transferred to Mr. Ng's personal bank account by the PRC division manufacturer	:	RMB117,000
	–	RMB17,000 (VAT)
	–	<u>RMB1,700 (handling charges: 10% of VAT)</u>
		RMB98,300

Notes:

- Figures used in this hypothetical example are for illustrative purpose only and do not represent actual transactions recorded by the Group.
- According to the Interim Regulations of the PRC on Value-added Tax, the rate of VAT is 17%. The VAT is calculated based on the sales amount multiplied by the VAT rate of 17%.

During each of the Track Record Period, cash received through Mr. Ng's bank account represented approximately 0.8% and 0.5% of the Group's total revenue, respectively. The Group would then use the cash in Mr. Ng's bank account to settle certain purchase of the raw materials and make payments to the relevant suppliers. The Group would also pay the production costs to HK third-party manufacturers.

As advised by the Group's tax adviser ("**Tax Adviser**"), given the risks of Speed Apparel and Firenze Apparel being considered as maintaining a permanent establishment due to the Arrangement under the PRC Enterprise Income Tax Law is relatively low, so the risk of the profits of Speed

Apparel and Firenze Apparel being subject to PRC Enterprise Income Tax due to the Arrangement is relatively low. For details of the Tax Adviser's view, please refer to the paragraph headed "View of the PRC Legal Adviser and Tax Adviser on the Arrangement".

The Directors confirm, during the Track Record Period, (i) the balance in Mr. Ng's bank account was only being used for receiving the payments from the PRC division manufacturers who are the designated cashiers and making certain payments to the Group's raw material suppliers in the PRC; (ii) no fund in Mr. Ng's bank account was taken out for personal use; and (iii) no personal fund was deposited into Mr. Ng's bank account. Although the bank account was opened under the name of Mr. Ng, he did not use the balance for personal purposes. To ensure (a) all the funds deposited in Mr. Ng's bank account were used properly and solely for the Group's operation; (b) the segregation of duties of authorising, execution, checking and book keeping function of money transfer under the Arrangement; (c) no incident of fraud, loss of cash, money laundering or embezzlement would occur as a result of the Arrangement; and (d) to reduce the risk of embezzlement under the Arrangement, the Group adopted the following internal control measures for the management of Mr. Ng's bank account prior to the cessation of the Arrangement:

- (i) before making any payment to the suppliers under the Arrangement, the accounting staff was required to prepare a payment instruction form indicating the amounts required, the payee and the purpose of the money transfer;
- (ii) before obtaining the approval of such money transfer under the Arrangement from Mr. Chan, an executive Director, the payment instruction form was counter-checked against the supplier's invoice by the senior accounting staff;
- (iii) all the bank transfers by Mr. Ng via online banking were required to obtain the approval by Mr. Chan, an executive Director, before the execution;
- (iv) each of the transactions record executed by Mr. Ng and all documents related to the transactions related to the Arrangement were recorded and kept by the accounting department;
- (v) the fund deposit records presented by the PRC division manufacturers were checked against the purchase orders, delivery notes and online statements of Mr. Ng's bank account and were kept and recorded by the accounting department;
- (vi) the accounting department would also check the transaction records and balances in the online bank statements against fund receipts records and invoices of suppliers to ensure that all funds transferred out of the personal accounts reconciled with the relevant supporting documents, and thus were authentic and accurate;
- (vii) the accounting department counter-checked regularly against the fund receipt records, invoices of suppliers, delivery notes and online statements of Mr. Ng's bank account; and

- (viii) monthly reconciliation between the balances of the accounting records and bank statements of Mr. Ng's bank account were performed and reviewed by the accounting department.

Authenticity, accuracy and completeness of the transactions under the Arrangement

To assess the authenticity of the transactions under the Arrangement and the accuracy and completeness of the Group's financial information, the Sponsor has performed the following due diligence work:

- (i) obtained and reviewed all statements of Mr. Ng's bank account during the Track Record Period and up to the date when such bank account had been terminated in June 2016;
- (ii) checked, on a sampling basis, the statements of Mr. Ng's bank account against the underlying supporting documents to test the completeness and accuracy of the transactions under the Arrangement and found that Mr. Ng's account information had been properly recorded in the Group's account books;
- (iii) checked, on a sampling basis, the accounting records against the statements of Mr. Ng's bank account to test the accuracy and existence of the transactions under the Arrangement and found that the accounting records were consistent with the underlying supporting documents and the statements of Mr. Ng's bank account;
- (iv) check, on a sampling basis, the walkthrough documents for the sales, purchases and receipts cycle to test the completeness and accuracy of the transactions under the Arrangement and found that the details of purchase orders placed by the Japanese customers for their PRC subsidiaries were substantially the same as those set out in the delivery notes and invoices issued to the PRC subsidiaries of the Japanese customers by the PRC division manufacturers;
- (v) the sampling size is over half of the respective purchase and sales amounts for each of the Track Record Period and no inconsistency was found between such accounting records and the underlying documents;
- (vi) discussed with the reporting accountants of the Company to understand the sales recognition and collection policies and no material issue was noted;
- (vii) discussed with the PRC Legal Advisers and noted that the Arrangement did not violate the relevant PRC laws and regulations, including the PRC Company Law and relevant laws and regulations in relation to enterprise income tax; and
- (viii) discussed with the Internal Control Adviser and noted that no material internal control deficiency on sales recognition and settlement of trade receivables was identified based on the result of the review.

In view of the foregoing, the Sponsor is of the view that (i) there is no reasonable ground to believe that the transactions under the Arrangement were not genuine; and (ii) sufficient assurance has been obtained to ensure the completeness, existence and genuineness of the transactions under the Arrangement (including the Group's use of sales proceeds received under the Arrangement) and the completeness of the Group's accounting book and records. Having said that, the Internal Control Adviser and the Sponsor shared the same view that the continued usage of the Arrangement was not ideal and therefore recommended the Group to cease the usage of the Arrangement and implement internal control measure to prevent the use of personal account going forward.

Implication of the cessation of the Arrangement

The Group has established Speed Apparel Shenzhen in February 2016 and the Arrangement was ceased in June 2016. Prior to and subsequent to the cessation of the Arrangement, the Group's Hong Kong office generally takes the lead in the apparel supply chain management services and is responsible for negotiating the design and pricing of the knitwear with the Japanese customers, which in turn will instruct their PRC subsidiaries to place the orders with the Group. Save and except for certain administrative and logistic works, such as directly contracting with the PRC subsidiaries of the Japanese customers and liaising with the third party manufacturers for the delivery of finished products to the PRC customers, were allocated to Speed Apparel Shenzhen, there is no substantial change in the Group's operational model in dealing with the PRC subsidiaries of the Japanese customers after the establishment of Speed Apparel Shenzhen.

Given that the Group sold its knitwear products domestically to the PRC subsidiaries of the Japanese customers through Speed Apparel Shenzhen, the Group is subject to, among others, the PRC enterprise income tax and value added tax under the applicable PRC laws and regulations. Please refer to the section headed "Risk factors — Risks relating to the PRC — The tax rate of any category of tax in the PRC may change from time to time and adversely affect the results of operations of the Group" for further details. In view of the Group's sales derived from the PRC subsidiaries of the Japanese customers represented approximately 0.8%, 0.5% and 2.2% of the Group's total revenue for each of the two years ended 31 March 2016 and the eight months ended 30 November 2016, respectively, the Directors consider that the Group's sales to the PRC was comparatively small in term of revenue and therefore the potential tax liabilities to be borne by the Group is minimal and would not have a material adverse impact on the financial position of the Group.

Taking into account the fact that (i) the Group has established Speed Apparel Shenzhen in the PRC in February 2016; (ii) Speed Apparel Shenzhen has opened a corporate bank account in the PRC for its operation in the PRC; (iii) the Group has successfully completed a number of transactions with the PRC subsidiaries of its Japanese customers through Speed Apparel Shenzhen; (iv) the Group has secured certain orders from the Japanese customers for their PRC subsidiaries and has sales orders on hand in total amount of approximately HK\$2.1 million as at 30 November 2016; and (v) the Group's sales volume to the PRC customers increased to 74,719 unit of knitwear for the eight months ended 30 November 2016 as comparing to 63,912 unit of knitwear for the

previous corresponding period, the Directors consider that the cessation of the Arrangement would not have any material adverse change to the Group's financial position and financial performance subsequent to the cessation of the Arrangement.

After obtaining the advices from the Tax Adviser, the Directors confirm that there will not be any transfer pricing issue associated with the business conducted through Speed Apparel Shenzhen since Speed Apparel Shenzhen will directly contract with PRC subsidiaries of Japanese customers and will not engage in any related party transactions.

View of the PRC Legal Advisers and Tax Adviser on the Arrangement

The PRC Legal Advisers are of the view that the relevant PRC laws and regulations, including the PRC Company Law and relevant laws and regulations in relation to import and export and foreign exchange, are not applicable to Speed Apparel and Firenze Apparel, and the risk of the sales proceeds received by Speed Apparel and Firenze Apparel under the Arrangement being subject to PRC enterprise income tax is remote, having considered:

- (i) the raw materials were delivered by the suppliers to the third-party manufacturers in the PRC directly and Speed Apparel and Firenze Apparel did not run any import and export activities. The relevant PRC laws and regulations in relation to import and export are not applicable to Speed Apparel and Firenze Apparel;
- (ii) Mr. Ng's bank account under the Arrangement served to process cash receipts and payments and there was no cross-border capital out-flow from Mr. Ng's bank account under the Arrangement. The relevant PRC laws and regulations in relation to foreign exchange are not applicable to Speed Apparel and Firenze Apparel;
- (iii) pursuant to the Enterprise Income Tax Law of the PRC ("**EIT Law**"), enterprises are classified as tax residents and non-tax residents. An enterprise is considered as a PRC tax resident if it is established in the PRC or the effective management and control of the enterprise are in the PRC. As (1) Speed Apparel and Firenze Apparel were incorporated in accordance with the laws of Hong Kong; and (2) for the reason that the senior management of Speed Apparel and Firenze Apparel stationed in Hong Kong for most of the time during the relevant period, Speed Apparel's and Firenze Apparel's actual management was not in PRC, the chance of Speed Apparel and Firenze Apparel being considered as PRC tax residents is remote;
- (iv) pursuant to the EIT Law, an enterprise is considered as a non-PRC tax enterprise if it is incorporated outside the PRC and the effective management and control is outside the PRC, but maintains an establishment or a place in the PRC or derives income sourced from the PRC. As the third-party manufacturers and Mr. Ng were not operating agents to habitually conclude sales contracts, store or deliver goods on behalf of Speed Apparel and Firenze Apparel within the territory of PRC, Speed Apparel and Firenze Apparel did

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not have any establishments or places in the PRC at the material time. The risk of Speed Apparel and Firenze Apparel being considered as non-PRC tax residents and subject to enterprise income tax is remote;

- (v) pursuant to Article 19 of the EIT Law, PRC-sourced income of non-tax residents without an establishment or a place in the PRC generally applies to dividend income, interest income, rental income, royalty income as well as gain on transfer of assets. The bank interest income earned from Mr. Ng's bank account was less than RMB2,000 per year. As the income tax derived from such interest income did not exceed RMB200 per year and should be withheld from the amount paid by the payer as the withholding agent, the risk of Speed Apparel and Firenze Apparel being requested to pay the relevant tax or receive any penalties is remote; and
- (vi) pursuant to the relevant PRC Company Law, funds of a company may not be deposited in any personal bank account of directors or senior management for saving purpose. As Speed Apparel and Firenze Apparel were not established in the PRC and Mr. Ng is not a PRC citizen, the relevant PRC Company Law is not applicable to the use of Mr. Ng's bank accounts to save the funds of Speed Apparel and Firenze Apparel.

Furthermore, the Tax Adviser has issued an independent tax opinion as to the potential tax liability arising from the Arrangement. Based on the underlying supporting documents under the Arrangement, the Tax Adviser opines that, given that (i) Speed Apparel and Firenze Apparel did not maintain a fixed place of business in the PRC and the relevant staff were physically present in the PRC for less than 183 days during any 12-month period within the relevant period; (ii) except for the insignificant amount of bank interest earned from Mr. Ng's bank account in the PRC, Speed Apparel and Firenze Apparel did not derive any income as defined under Article 19 of the EIT Law; and (iii) pursuant to Article 5(4) of the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, a fixed place of business solely for the purpose of purchasing goods and of a preparatory or auxiliary character should not be considered as a permanent establishment. Mr. Ng's bank account in the PRC should not be considered as a permanent establishment accordingly, the risk of Speed Apparel and Firenze Apparel being considered as maintaining a permanent establishment due to the Arrangement under the PRC Enterprise Income Tax Law is relatively low. Therefore, the Tax Adviser considers that the risk of the profits of Speed Apparel and Firenze Apparel being subject to PRC Enterprise Income Tax due to the Arrangement is relatively low.

With respect to the legality of the Arrangement, the PRC Legal Advisers are of view that the Arrangement did not breach any relevant PRC laws and regulations based on following reasons:

- (i) Speed Apparel and Firenze Apparel engaged the raw material suppliers to deliver raw materials to the third party manufactures in the PRC directly, and Speed Apparel and Firenze Apparel did not engage in any business activities related to import or export in the PRC. Therefore, Speed Apparel and Firenze Apparel did not breach any relevant laws and regulations on import and export in the PRC;

- (ii) up to the date of cessation of the Arrangement, the Arrangement did not involve any cross-border circulation of funds and thus did not breach any relevant laws and regulations of PRC on foreign exchange;
- (iii) In accordance with the EIT Law, the possibility of Speed Apparel and Firenze Apparel being considered as a non-PRC resident enterprise setting up institutions or establishments in the PRC is slim, therefore the risk of Speed Apparel and Firenze Apparel being considered as a non-PRC resident enterprise setting up institutions or establishments in the PRC by relevant local taxation bureaus for PRC enterprise income tax purpose is remote; and
- (iv) as Speed Apparel and Firenze Apparel were not incorporated in the PRC, and Mr. Ng is not a resident of the PRC, the relevant PRC Company Law is not applicable to the use of Mr. Ng's personal bank accounts for payments and receipts of payments of the Group in the PRC.

Internal control measures on the Arrangement

Regarding the major deficiencies identified in the internal control system, the Group had adopted the internal control measures and rectified the weakness in the internal control system as recommended by the Internal Control Adviser since June 2016. The Arrangement ceased and all the balances in Mr. Ng's bank account were fully utilised for settling certain raw material costs for the Group in the PRC and such bank account had been terminated on 28 June 2016. Subsequent to the termination of Mr. Ng's bank account in the PRC, the Group did not adopt such Arrangement to process cash receipts and payments. The Directors also confirm that the Group will not adopt such Arrangement after the Listing. Taking into account the fact that (i) the Group has established Speed Apparel Shenzhen in the PRC in February 2016; (ii) Speed Apparel Shenzhen has obtained all material licenses, permits and certificates which are necessary for its operation in the PRC; (iii) Speed Apparel Shenzhen has opened a corporate bank account in the PRC for its operation in the PRC; (iv) the Group has successfully completed a number of transactions with the PRC subsidiaries of its Japanese customers through Speed Apparel Shenzhen subsequent to the establishment of Speed Apparel Shenzhen; (v) there has been no material adverse change to the Group's financial position and financial performance subsequent to the cessation of the Arrangement; and (vi) the Group has revised its fund management policies to prevent the use of personal accounts for corporate transactions, the Directors believe that there would not be any material financial and operational impact on the Group as a result of the cessation of the Arrangement.

In order to ensure sound implementation of the Group's risk management and internal control policies, the Group has implemented the following enhanced internal control measures recommended by the Internal Control Adviser since June 2016:

- the Group has improved the existing internal control framework by adopting a set of internal control manual and policies, including the corporate governance manual, which covers corporate governance, risk management, operations, legal matters, finance and audit;

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- the Group has established the whistleblowing policies which enable the employees, customers, suppliers and external business partners to notify the management if there is any inappropriate action found;
- the Group will provide its Directors, senior management and relevant employees with training, development programmes and updates regarding the legal and regulatory requirements applicable to the business operations of the Group from time to time on an annual basis;
- the Group will, from time to time, engage external legal advisers and seek legal advice on legal matters as applicable to the Group; and
- the Group will continue to engage an internal control adviser after the Listing to review the adequacy and effectiveness of the internal control system, including areas of financial, operational, compliance and risk management.

The Internal Control Adviser has completed follow-up reviews on the enhanced internal control measures in July 2016 and confirmed that all of weaknesses had been rectified. Taking into account the facts that (i) there were no findings of material weakness or material insufficiency in the Group's enhanced internal control system after the follow-up reviews by the Internal Control Adviser; and (ii) the Group has properly implemented the enhanced internal control measures recommended by the Internal Control Adviser, the Directors are of the view that the enhanced internal control measures are adequate and effective for the Group's operations. The Sponsor has reviewed the internal control and follow-up reports prepared by the Internal Control Adviser, discussed with the Internal Control Adviser on the design effectiveness of the enhanced internal control measures and concurred with the Directors' view that the Company's enhanced internal control measures could sufficiently and effectively ensure a proper internal control system of the Group.

Indemnity given by the Controlling Shareholders

Despite the fact that (i) the risk of the sales proceeds received by Speed Apparel and Firenze Apparel under the Arrangement to be taxable is remote; and (ii) Speed Apparel and Firenze Apparel under the Arrangement are the predecessors which do not form part of the Group, the Controlling Shareholders have undertaken to indemnify the Group against all tax liabilities arising from Speed Apparel and Firenze Apparel under the Arrangement. Please refer tax to the section headed "Statutory and general information — Other information — Estate duty, tax and other indemnity" for further details.

LITIGATIONS AND CLAIMS

The Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, the Group was not involved in any litigation, arbitration, claim of material importance, and no litigation, arbitration or claim is known to the Directors to be pending or threatened by or against the Group that would have a material and adverse effect on the results of operations or financial condition.

CONNECTED TRANSACTIONS

OVERVIEW

The Group has entered into a transaction with an entity which will be regarded as a connected person of the Company upon Listing and such transactions will constitute a continuing connected transaction of the Company upon Listing under the GEM Listing Rules. Details of the transaction are set out below.

CONTINUING CONNECTED TRANSACTION

Tenancy agreement between Speed Apparel HK and Firenze Apparel

Background of the transaction

As part of the Reorganisation, on 31 December 2015, each of Speed Apparel and Firenze Apparel entered into Business Transfer Agreement 1 and Business Transfer Agreement 2, respectively, with Speed Apparel HK pursuant to which both Speed Apparel and Firenze Apparel ceased to operate the Speed Garment Business and Firenze Garment Business, respectively, and transferred all the rights and obligations, and assets and liabilities related specifically except for the Eldex Properties and Gemstar Property, to Speed Apparel HK. The Directors are of the view that with such exclusion the Group has benefited from nil stamp duty, greater flexibility in allocation of resources and better control of investment risks. For details of the business transfers, please refer to the section headed “History, Reorganisation and Corporate Structure — Business and corporate development” in this prospectus. On 7 March 2016, the Group leased the Gemstar Property with the saleable area of approximately 6,653 sq.ft. from Firenze Apparel. The Gemstar Property are used as godown together with ancillary office in Hong Kong. It is expected that the Group will continue to lease the Gemstar Property after Listing.

Tenancy agreement

On 7 March 2016, Speed Apparel HK, a subsidiary of the Company, entered into a Tenancy Agreement for the leasing of the Gemstar Property to the Company for a monthly rent of HK\$100,000 from 1 February 2016 to 31 January 2019 (both days inclusive). Pursuant to the Tenancy Agreement, Firenze Apparel agreed to pay management fee and government rates and rent. The monthly rent under the Tenancy Agreement was determined on an arm’s length basis between Speed Apparel HK and Firenze Apparel.

Historical transaction amounts

The total aggregate of rental paid by the Group under the Tenancy Agreement was HK\$200,000 and HK\$1,200,000 for the two years ended 31 March 2017, respectively.

Proposed annual cap on future transaction amounts

The annual rental paid and payable by the Group under the Tenancy Agreement will be HK\$1,200,000 for the year ending 31 March 2018, which is determined after arm’s length negotiation between the parties thereto by reference to the prevailing market rates.

CONNECTED TRANSACTIONS

The independent property valuer of the Group has reviewed the Tenancy Agreement and conducted market search on the leasing market in Hong Kong. It has confirmed that the terms of the Tenancy Agreement, including the rental payable thereunder, are fair and reasonable and the rental payment thereunder reflects the prevailing market rate as at the date of the commencement of the Tenancy Agreement.

As such, the Directors consider that the leasing of the Gemstar Property by the Company from Firenze Apparel under the Tenancy Agreement is conducted in the ordinary and usual course of business of the Company and is on normal commercial terms which are fair and reasonable and in the interests of the Company and Shareholders as a whole.

GEM Listing Rules implications

Since Firenze Apparel is owned as to 100% by Mr. Chan, being an executive Director, the chief executive officer of the Company and a Substantial Shareholder, Firenze Apparel will become a connected person of the Company upon Listing under the GEM Listing Rules. As such, the leasing of the Gemstar Property by the Company from Firenze Apparel under the Tenancy Agreement will constitute a continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules upon Listing.

It is proposed that the annual caps for the rental payable under the Tenancy Agreement will be HK\$1.2 million and HK\$1.0 million for the year ending 31 March 2018 and the 10 months ending 31 January 2019, respectively. Since, on an aggregate basis, each of the applicable ratios calculated with reference to Rule 19.07 of the GEM Listing Rules is expected to be less than 5% and the aggregate annual consideration is less than HK\$3,000,000, the transactions under the Tenancy Agreement fall within the de minimis threshold and constitute de minimis continuing connected transactions of the Company under Rule 20.74(1)(c) of the GEM Listing Rules. Accordingly, the Tenancy Agreement and the transactions contemplated thereunder will be exempted from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules upon Listing.

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) consider that the Tenancy Agreement has been entered into in the ordinary and usual course of business and on normal commercial terms, and the terms of and transactions contemplated under the Tenancy Agreement and the annual caps set out above are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

CONNECTED TRANSACTIONS

CONFIRMATION FROM SPONSOR

After review of the relevant documentation and historical figures provided by the Company, the Sponsor is of the opinion that the terms of the Tenancy Agreement and the transactions contemplated thereunder have been and will be entered into in the ordinary and usual course of business of the Company and on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board consists of two executive Directors and three independent non-executive Directors. The following table sets forth the information in respect of the Directors:

Name	Age	Date of joining the Group	Date of appointment as a Director	Position	Role and responsibilities	Relationship with other Director(s) and/or senior management
Mr. Chan Wing Kai (陳永啟)	48	26 June 2001	19 November 2015	Executive Director, Chairman of the Board, Chief Executive Officer and the compliance officer	Overall corporate strategies, management of the Group's business operations and development	Nil
Mr. Ng Ming Ho (吳明豪)	47	1 September 2002	15 June 2016	Executive Director	Overall management and administration of the Group's business operation	Nil
Mr. Kwok Chi Shing (郭志成)	55	23 January 2017	23 January 2017	Independent non-executive Director	Providing independent judgement on the Group's strategy, performance, resources and standard of conduct	Nil
Ms. Chan Siu Lai (陳小麗)	47	23 January 2017	23 January 2017	Independent non-executive Director	Providing independent judgement on the Group's strategy, performance, resources and standard of conduct	Nil
Mr. Ma Kwok Fai, Edwin (馬國輝)	44	23 January 2017	23 January 2017	Independent non-executive Director	Providing independent judgement on the Group's strategy, performance, resources and standard of conduct	Nil

Executive Directors

Mr. Chan Wing Kai (陳永啟), aged 48, was appointed as a Director of the Company on 19 November 2015 and was designated as an executive Director, the chairman of the Board, the chief executive officer and the compliance officer of the Company on 15 June 2016 for an initial term of three years commencing from the Listing Date. He is responsible for the overall strategic planning and corporate policy making, as well as business development and day-to-day management of the Group's business operation. He is also a director of Speed Apparel BVI, Speed Apparel HK, Speed Apparel Shenzhen and Knit World.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan completed his secondary education in Hong Kong in 1987. He obtained a Level 1 certificate of the Japanese Language Proficiency Test in February 1990. He completed a course entitled “Professional certificate in business management” co-organised by Li Ka Shing Institute of Professional and Continuing Education, The Open University of Hong Kong and ET Business College in November 2008. Mr. Chan has more than 25 years of sales and merchandising experience in the apparel industry. Prior to joining the Group, he had been employed by South Overseas Fashion Limited from March 1990 to March 1995 and he was dispatched to Yamaichi Nitto Company Limited in Japan for on-the-job training from March 1993 to February 1994. He then worked for a knitwear manufacturing company, a subsidiary of South Asia Textiles (Holdings) Limited from 1995 to 2000. He was responsible for the operation and management of the Group’s business since he joined the Group.

Mr. Ng Ming Ho (吳明豪), aged 47, was appointed as an executive Director on 15 June 2016 and is responsible for the overall management and administration of the Group’s business, and overseeing the operation of the Group. Mr. Ng joined the Group in September 2002.

Mr. Ng completed his secondary education in Hong Kong in 1987 and a two-year part-time evening post-secondary 3 course at Morrison Hill Technical Institute in July 1996. He was awarded with a Level 1 certificate in book-keeping from the London Chamber of Commerce and Industry in 2003. He has more than 25 years of administrative and office management experience. Prior to joining the Group, he had been employed by JEFT International Limited as office manager from June 1989 to July 2002.

Independent non-executive Directors

Mr. Kwok Chi Shing (郭志成), aged 55, was appointed as an independent non-executive Director on 23 January 2017 and is responsible for providing independent judgment on the Group’s strategy, performance, resources and standard of conduct. He is the chairman of the audit committee and a member of both the remuneration committee and the nomination committee of the Company. Mr. Kwok obtained a Master of Arts in Economics with Accountancy with Honours from the University of Aberdeen in the United Kingdom in July 1986. He was admitted as an associate of the Hong Kong Institute of Certified Public Accountants in January 1991 and an associate of the Taxation Institute of Hong Kong in May 1992. He was admitted as a certified tax adviser in May 2010.

Mr. Kwok has over 20 years of experience in audit assurance, cross border taxation assignments and project financing. Mr. Kwok has been an independent non-executive director of Grand Ocean Advanced Resources Company Limited (stock code: 65) (formerly known as Angels Technology Company Limited, the share of which were transferred from GEM to the Main Board on 22 June 2009) with effect from 27 January 2006. He was the director of Lam, Kwok, Kwan & Cheng C.P.A. Limited from February 1999 to May 2010 and has been the director of LKKC C.P.A. Limited since December 2007. Prior to that, he was one of the partners at Wong Lam Leung & Kwok from August 1993 to February 1999. Save as disclosed above, Mr. Kwok was not a director in any other listed companies during the three years immediately preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Kwok was a director of the following companies that were incorporated in Hong Kong, and subsequently 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 off a defunct company from the register of companies. Mr. Kwok confirmed that the company was solvent and inactive at the time of strike off and that its dissolution had not resulted in any liability or obligation against him. The following table details the aforementioned companies that were struck off:

<u>Name of company</u>	<u>Nature of business</u>	<u>Date of strike off notice</u>	<u>Date of strike off</u>
China Investment Consultants Limited	Inactive	5 September 2003	20 February 2004
HKU Professional Diploma In Real Estate Administration Alumni Limited	Inactive	16 October 2009	26 March 2010

Ms. Chan Siu Lai, (陳小麗), aged 47, was appointed as an independent non-executive Director on 23 January 2017 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. She is the chairman of the remuneration committee and a member of both the audit committee and the nomination committee of the Company. Ms. Chan obtained a bachelor degree of art major in law and management science from the University of Keele in the United Kingdom in June 1992. She has been admitted as a solicitor in Hong Kong since July 1996, and a solicitor in England and Wales since February 2002. From November 2000 to January 2016, Ms. Chan worked for INCE & Co. as an assistant solicitor. Ms. Chan is currently a claims executive lawyer at Gard (HK) Limited.

Mr. Ma Kwok Fai, Edwin (馬國輝), aged 44, was appointed as an independent non-executive Director on 23 January 2017 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the nomination committee and a member of both the audit committee and the remuneration committee of the Company. Mr. Ma obtained a bachelor degree of arts in clothing studies from The Hong Kong Polytechnic University in November 1998. Mr. Ma has over 13 years of experience in the magazine publishing industry. He was previously employed by Li & Fung (Trading) Limited as an assistant merchandiser from September 1998 to January 1999. He has joined MRRM Publishing Limited in Hong Kong since January 2003 and his current position is fashion director and associate publisher.

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

Save as disclosed above, each of the Directors confirms with respect to him/her that: (i) save as disclosed herein above, he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not hold any other position in the Company or any of its subsidiaries; (iii) save as

DIRECTORS AND SENIOR MANAGEMENT

disclosed in the section headed “Disclosure of interests” as set out in Appendix V to this prospectus, he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed for pursuant to Rule 17.50(2) of the GEM Listing Rules; and (v) to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

The following table sets forth the information regarding the senior management team of the Group:

<u>Name</u>	<u>Age</u>	<u>Date of joining the Group</u>	<u>Position</u>	<u>Relationship with other Director(s) and/or senior management</u>
Mr. Chan Wing Kai (陳永啟)	48	26 June 2001	Executive Director, Chairman of the Board, Chief Executive Officer and the compliance officer	Nil
Mr. Ng Ming Ho (吳明豪)	47	1 September 2002	Executive Director	Nil
Ms. Sze Yee Kwan (施懿君)	47	22 March 2004	Chief Executive Officer assistant	Nil
Ms. Wong Lai King (黃麗琼)	48	29 October 2001	Division Merchandising Manageress	Nil
Ms. Wu Yu Lim, Winnie (鄺瑜廉)	42	7 September 2015	Chief Financial Officer and Company secretary	Nil

Mr. Chan Wing Kai (陳永啟) is an executive Director, the chairman of the Board, the chief executive officer and the compliance officer of the Company. For his biographical information, please refer to the section headed “Directors and senior management — Directors — Executive Directors” above.

Mr. Ng Ming Ho (吳明豪) is an executive Director. For his biographical information, please refer to the section headed “Directors and senior management — Directors — Executive Directors” above.

Ms. Sze Yee Kwan (施懿君), aged 47, joined the Group in March 2004 as a senior merchandiser and was subsequently promoted to the position of chief executive officer assistant in February 2007. She is primarily responsible for assisting in overseeing and supervising the day-to-day management of the design and promotion department, and purchasing department of the Group. Ms. Sze was awarded with Level 2 certificate in book-keeping and accounts from the London Chamber of Commerce and Industry in April 1990. She also obtained a diploma in business

DIRECTORS AND SENIOR MANAGEMENT

administration from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1991 and a certificate course in fashion and clothing manufacture from The Hong Kong Polytechnic University in August 1998. In February 2005, she obtained a Level 3 certificate of Japanese Language Proficiency Test.

Ms. Sze has over 20 years of experience in the apparel industry. Ms. Sze worked for Chungkuo Chung Fah Co. Ltd. from July 1991 to June 1994. She was employed by Fashion Resources Limited as senior merchandiser from June 1994 to March 1997. From June 1997 to March 1998, she worked for Chamtex Limited as a senior merchandiser. From May 1998 to September 2002, Ms. Sze re-joined Fashion Resources Limited as a senior merchandiser. Prior to joining the Group, she worked for Gracedon Knitters Limited as a senior merchandiser since October 2002.

Ms. Sze has not held any directorship in any public listed company during the three years immediately preceding the date of this prospectus.

Ms. Wong Lai King (黃麗琮), aged 48, joined the Group in October 2001 as a senior merchandiser and was subsequently promoted to the position of division merchandising manageress in February 2013. She is primarily responsible for merchandising management of the Group. Ms. Wong completed a part-time evening training course in pattern making (outerwears) at the Clothing Industry Training Authority in Hong Kong in June 1991 and obtained a diploma in fashion management from The George Brown College of Applied Arts and Technology in Toronto, Canada in June 1994. Ms. Wong has over 15 years of working experience in the apparel industry. Ms. Wong was employed by Tillsonburg Company Limited as merchandising assistant from July 1990 to December 1991. She then worked for Green Top Production, Inc. as merchandiser from August 1994 to December 1995. Prior to joining the Group, Ms. Wong was employed by Prominent Apparel Limited as merchandiser from April 1996 to August 2001.

Ms. Wong has not held any directorship in any public listed company during the three years immediately preceding the date of this prospectus.

Ms. Wu Yu Lim, Winnie (鄺瑜廉), aged 42, joined the Group in September 2015 as the chief financial officer and company secretary of the Group. She is primarily responsible for the financial reporting, treasury, financial control and company secretarial matters of the Group. Ms. Wu obtained a bachelor degree in accountancy from the University of South Australia in Australia in March 2007 and a diploma in finance from Lingnan University in November 2003. She has been a member of The Hong Kong Institute of Certified Public Accountant since November 2009 and a member of Certified Public Accountant Australia since February 2009.

Ms. Wu has over 10 years of accounting and company secretarial experience. Prior to joining the Group, Ms. Wu was employed by SDM Group Holdings Limited (stock code: 8363) as a senior finance manager from April 2014 to July 2015. Before that, she served as a financial controller and company secretary in Chinese Food and Beverage Group Limited (stock code: 8272) between January 2013 and November 2013. In addition, Ms. Wu was employed as finance manager in PME

DIRECTORS AND SENIOR MANAGEMENT

Group Limited (stock code: 0379) from June 2009 to December 2012 and served as accounting manager in New Capital International Investment Limited (stock code: 1062) from May 2006 to June 2009.

Ms. Wu has not held any directorship in any public listed company during the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Ms. Wu Yu Lim, Winnie (鄺瑜廉) is the chief financial officer and company secretary of the Group. For her biographical information, please refer to the section headed “Directors and senior management — Senior management” in this prospectus.

COMPLIANCE OFFICER

Mr. Chan is the compliance officer of the Group. For his biographical information, please refer to the section headed “Directors and senior management — Directors — Executive Directors” in this prospectus.

REMUNERATION POLICY

The executive Directors, the independent non-executive Directors and senior management receive compensation in the form of directors’ fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for provision of services to the Group or executing their functions in relation to the Group’s operations. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, respective responsibilities of the Directors and performance of the Group.

After the Listing, the remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their experience, responsibilities, workload, time devoted to the Group and performance of the Group. The Directors may also be offered options under the Share Option Scheme.

BOARD COMMITTEES

Audit Committee

The Company established the audit committee on 23 January 2017 with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three independent non-executive Directors, namely Mr. Kwok Chi Shing, Ms. Chan Siu Lai and Mr. Ma Kwok Fai, Edwin with Mr. Kwok Chi Shing as the chairman of the audit committee. The duties of the audit committee include reviewing, in draft form, the annual report and accounts, half-year report and quarterly reports and providing advice and comments to the Board. In this regard,

DIRECTORS AND SENIOR MANAGEMENT

members of the audit committee will liaise with the Board, the senior management, the reporting accountants and auditors. The audit committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by the accounting staff, compliance officers or auditors. Members of the audit committee are also responsible for reviewing the Company's financial reporting process and internal control system.

Remuneration Committee

The Company established the remuneration committee on 23 January 2017 which, at present, comprises three independent non-executive Directors, namely Mr. Kwok Chi Shing, Ms. Chan Siu Lai and Mr. Ma Kwok Fai, Edwin with Ms. Chan Siu Lai being the chairman of the committee. Written terms of reference in compliance with paragraph B.1.1 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules have been adopted. Amongst other things, the primary duties of the remuneration committee are to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of independent non-executive Directors.

Nomination Committee

The Company established the nomination committee on 23 January 2017. The nomination committee comprises three independent non-executive Directors, namely Mr. Kwok Chi Shing, Ms. Chan Siu Lai and Mr. Ma Kwok Fai, Edwin. Mr. Ma Kwok Fai, Edwin has been appointed as the chairman of the nomination committee. Written terms of reference in compliance with paragraph A.5 of the Code on Corporate Governance Practices as set out in Appendix 15 to GEM Listing Rules have been adopted. The nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for the Directors.

CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Group will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules, except for the deviation from the code provision A.2.1 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. Mr. Chan is the chairman of the Board and the chief executive officer of the Company and he has been managing the Group's business and supervising the overall operations of the Group since 2001. The Directors consider that vesting the roles of the chairman of the Board and the chief executive officer of the Company in Mr. Chan is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

DIRECTORS AND SENIOR MANAGEMENT

Save for disclosed in this section, the Group is in compliance with all the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Messis Capital to be the compliance adviser, who will have access to all relevant records and information relating to the Group that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by the Company, including share issues and share repurchases;
- (iii) where the Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate (if any) or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of the Company under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the Listing Date and end on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year after the Listing Date, or until the agreement is terminated, whichever is the earlier.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), Speed Development and Mr. Chan will be the Controlling Shareholders (within the meaning of the GEM Listing Rules). Each of Speed Development and Mr. Chan confirms that, as at the Latest Practicable Date, apart from the business operated by members of the Group, each of them and each of their respective associates and/or companies controlled by it or him do not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of the Group, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules. As at the Latest Practicable Date, save and except for their respective interests in the Company and its subsidiaries, none of the Controlling Shareholders nor any of their respective associates had any interest in any other companies which held interests in the business of the Company during the Track Record Period and had ceased to hold such interests after the Reorganisation. The Group has been under the ownership and control by Mr. Chan throughout the Track Record Period.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Save as otherwise disclosed in the section headed “Connected transactions” in this prospectus, the Directors do not expect that there will be any other significant transactions between the Group and the Controlling Shareholders and their respective associates upon or shortly after the Listing. The Directors believe that the Group is capable of carrying on its business independently of the Controlling Shareholders and their respective associates after the Share Offer having considered the following factors:

Management independence

The Board comprises two executive Directors and three independent non-executive Directors. The executive Directors are Mr. Chan and Mr. Ng. One of the independent non-executive Directors, Mr. Kwok Chi Shing, is a Certified Public Accountant. The independent non-executive Directors have been appointed in compliance with the requirements under the GEM Listing Rules to ensure that the decisions of the Board will be made only after due consideration of independent and impartial opinion.

Each of the Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of the Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group, and the Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant board meetings of the Company in respect of such transactions and will not be counted in the quorum of the relevant board meeting. The independent non-executive Directors are also expected to oversee the Board independently to ensure that there is no potential conflict of interest.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Save for Mr. Chan, the Group has an independent senior management team to carry out and execute the business decisions of the Group independently. The Directors are satisfied that the senior management team will be able to perform their roles in the Company independently, and the Directors are of the view that the Company is capable of managing its business independently from the Controlling Shareholders and their respective associates after the Share Offer.

Operational independence

The Group has established its own organisational structure made up of individual departments, each with specific areas of responsibilities. The Group has independent access to customers for the Group's business. The Group has also established a set of internal control mechanism to facilitate the effective operations of the Group's business.

The Group currently does not have any intention to purchase or sell any products from/to the Controlling Shareholders and, if such happens in future, the connected transactions/ continuing connected transactions will be conducted in compliance with the GEM Listing Rules.

Financial independence

During the Track Record Period, the Group had obtained bank loans secured by guarantees of Speed Apparel, Firenze Apparel, Orient Base (Hong Kong) Limited (which is a wholly-owned company of Mr. Chan) and Mr. Chan and certain properties owned by Mr. Chan and Ms. Cheung were charged as securities to such banks. The banks have confirmed that the abovementioned guarantees and charges over properties will be released or replaced by the corporate guarantees executed by the Company upon Listing with the conditions fulfilled. These conditions shall include: (i) successful listing of the Company; (ii) receipt of a corporate guarantee duly executed by the Company; (iii) Speed Apparel HK is and will remain as the wholly-owned subsidiary of the Company; (iv) providing financial or other information requested to the respective bank; (v) fulfilment of minimum asset requirement; (vi) no significant deviation on final version of audited report as compared to draft audited report submitted; and (vii) no significant deviation on forecasted banking facility. The Directors are of the view that the Group shall have no difficulties in fulfilling these conditions before Listing except for conditions that involve administrative procedure and/or can be satisfied only upon Listing.

Notwithstanding the above, the Directors are of the view that the Group will be financially independent from the Controlling Shareholders upon Listing. The management of the Group is capable of making financial decisions independently according to the needs of the Group's business free from interference from the Controlling Shareholders and their respective close associates after the Listing. The Group has sufficient capital to operate the business independently, and has adequate internal resources and credit profile to support the daily operation.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

RULE 11.04 OF THE GEM LISTING RULES

As at the Latest Practicable Date, the Controlling Shareholders, the Directors and their respective close associates do not have any interest in a business apart from the Group's business which competes and is likely to compete, directly or indirectly, with the Group's business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

NON-COMPETITION UNDERTAKINGS

The Controlling Shareholders as covenantors (each a “**Covenantor**”, collectively, the “**Covenantors**”) executed the Deed of Non-competition in favour of the Company (for itself and as trustee for its subsidiaries).

Non-competition

In accordance with the Deed of Non-competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be listed on GEM (other than suspension of trading of the Shares of the Company for any other reason); (ii) the date on which the Covenantors cease to be a Controlling Shareholder; or (iii) the date on which the Covenantors beneficially own or become interested jointly or severally in the entire issued share capital of the Company, he/it will not, and will use his/its best endeavours to procure any Covenantor, his/its close associates (collectively, the “**Controlled Persons**”) and any company directly or indirectly controlled by the Covenantor (the “**Controlled Company**”) not to, either on his/its own or in conjunction with any person, 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 the Group) to conduct any business which, directly or indirectly, competes or is likely to compete with the business of the Company or any of its subsidiaries in Hong Kong, the PRC, and such other places as the Company or any of its subsidiaries may conduct or carry on business from time to time, including but not limited to the provision of apparel supply chain services headquartered in Hong Kong principally selling knitwear products in predominately the Japan market (the “**Restricted Business**”).

The Deed of Non-competition does not apply if the Controlled Persons and Controlled Company in aggregate own any interest not exceeding five per cent of the issued shares in any company conducting any Restricted Business (the “**Relevant Company**”), and the Relevant 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 the Company or any of its subsidiaries, provided that (i) the shareholding of any one holder (and his/its close associate, if applicable) in the Relevant Company is more than that of the Controlled Persons and the Controlled Company in aggregate at any time; and (ii) the total number of the relevant representatives of the Controlled Persons and the Controlled Companies on the board of directors of the Relevant Company is not significantly disproportionate with respect to his/its shareholding in the Relevant Company.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

New business opportunity

If any Controlled Person and/or any Controlled Company is offered or becomes aware of any business opportunity which directly or indirectly engages in or owns a Restricted Business (the “**New Business Opportunity**”):

- (a) each of the Covenantors shall procure his/its Controlled Persons or Controlled Companies to and shall within 10 days notify the Company such New Business Opportunity in writing and refer the same to the Company for consideration, and shall provide the relevant information to the Company in order to enable the Company to make an informed assessment of such opportunity; and
- (b) each of the Covenantors shall not, and shall procure that his/its Controlled Persons or Controlled Company not to, invest or participate in the New Business Opportunity, unless such New Business Opportunity shall have been rejected by the Company and such rejection shall be approved by all the independent non-executive Directors or and the principal terms of which the Covenantor or his/its Controlled Persons or Controlled Company invest or participate in are no more favourable than those made available to the Company.

A Covenantor or his/its Controlled Persons or Controlled Companies may only engage in the New Business Opportunity if (i) a notice is received by the Controlled Person or Controlled Company from the Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the “**Non-acceptance Notice**”); or (ii) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by the Company.

Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not be counted towards the quorum for, any Board meeting or part of a Board meeting convened to consider such New Business Opportunity.

The independent non-executive Directors will be responsible for reviewing and considering whether or not to take up a New Business Opportunity referred by a Covenantor, Controlled Person or Controlled Company or whether or not the New Business Opportunity constitutes competition with the Restricted Business and such decisions will be made by the Board (including the independent non-executive Directors). The factors that will be taken into consideration by the Board in making the decision include whether it is in line with the overall interests of the Shareholders.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

General undertakings

Each of the Covenantors jointly and severally unconditionally and irrevocably undertakes to the Company (for itself and as trustee for each of its subsidiaries) that he/she/it will:

- (a) as required by the Company, and will procure his/its Controlled Persons and the Controlled Companies to, provide all information necessary for its independent non-executive Directors to conduct annual examination with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it;
- (b) procure the Company to disclose to the public either in the annual report of the Company or issue a public announcement in relation to any decisions made by its independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it;
- (c) where the Company's independent non-executive Directors shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-competition in the annual report of the Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-competition and the enforcement of it are in accordance with the requirements of the GEM Listing Rules;
- (d) and will procure his/her/its Controlled Persons and the Controlled Companies to, provide with the Company a confirmation annually for inclusion by the Company in its annual report, in respect of the compliance with the terms of the Deed of Non-competition by the Covenantors; and
- (e) that during the period when the Deed of Non-competition is in force, fully and effectually indemnify the Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under the Deed of Non-competition.

Termination

The obligations of the Covenantors under the Deed of Non-competition shall remain in effect until the occurrence of the earliest of:

- (a) the date on which the Shares cease to be listed on GEM (other than suspension of trading of the Shares of the Company for any other reason);
- (b) the date on which the Covenantors cease to be a Controlling Shareholder; or
- (c) the date on which the Covenantors beneficially own or become interested jointly or severally in the entire issued share capital of the Company.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

The Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

- (1) the Articles provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend but in no circumstances shall he/she be counted towards the quorum or allowed to vote on such resolution;
- (2) the independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertaking by the Controlling Shareholders;
- (3) the Controlling Shareholders undertake to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the non-competition undertaking;
- (4) the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of the Controlling Shareholders in the annual reports of the Company including the basis for not taking up any New Business Opportunity;
- (5) the Controlling Shareholders will make an annual declaration on compliance with their non-competition undertaking in the annual report of the Company;
- (6) the independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/her/its associates to involve or participate in a Restricted Business and if so, any condition to be imposed; and
- (7) the independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of the Company.

Further, any transaction that is proposed between the Group and the Controlling Shareholders and their respective associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of the Group has experienced any dispute with its shareholders or among its shareholders themselves and the Directors believe that each member of the Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out in this paragraph headed "Corporate Governance Measures", the Directors believe that the interests of the Shareholders will be protected.

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares that may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Shareholders of the Company:

Long position in the Shares

		Shares held immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) (Note 1)	
Name	Nature of interest	Number	Percentage
Speed Development (Note 2)	Beneficial owner	375,000,000	75%
Mr. Chan (Note 2)	Interest in a controlled corporation	375,000,000	75%
Ms. Cheung (Note 3)	Spouse interest	375,000,000	75%

Notes:

1. The calculation is based on the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).
2. Speed Development is beneficially owned as to 100% by Mr. Chan. Mr. Chan is deemed to be interested in the Shares in which Speed Development is interested under Part XV of the SFO. Mr. Chan is the sole director of Speed Development.
3. Ms. Cheung is the spouse of Mr. Chan. She is deemed to be interested in the Shares in which Mr. Chan is interested under Part XV of the SFO.

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

Save as disclosed above and in the section headed “Statutory and general information — B. Further information about the business of the Group” in Appendix V to this prospectus, the Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares that may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of Shareholders of the Company. The Directors are not aware of any arrangements which may at a subsequent date result in a change of control of the Company.

SHARE CAPITAL

SHARE CAPITAL

Assuming the Share Offer becomes unconditional and without taking into account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the share capital of the Company immediately following the Capitalisation Issue and the Share Offer will be as follows:

Authorised:

	<i>HK\$</i>
<u>1,000,000,000</u> Shares of HK\$0.01 each	<u>10,000,000</u>

Issued or to be issued, fully paid or credited as fully paid:

9,000	Shares in issue as at the Latest Practicable Date	90
374,991,000	Shares to be issued pursuant to the Capitalisation Issue	3,749,910
<u>125,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>1,250,000</u>
<u>500,000,000</u>	Shares	<u>5,000,000</u>

MINIMUM PUBLIC FLOAT

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

RANKING

The Offer Shares will rank equally with all Shares now in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus save for the entitlements under the Capitalisation Issue.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. A summary of its principal terms is set out in the section headed “Share Option Scheme” in Appendix V to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, the Directors have been granted a general unconditional mandate to allot and issue and deal with the unissued Shares with an aggregate nominal value of not more than:

- (a) 20% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares that may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme); and
- (b) the number of Shares repurchased by the Company (if any) pursuant to the general mandate to repurchase Shares as described below.

The Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of the Company, scrip dividends or similar arrangements providing for the allotment of Shares in lieu of the whole or in part of any cash dividends or options to be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted or such other issue and allotment of Shares or securities of the Company as permitted under the GEM Listing Rules.

For further details of this general mandate, please refer to the paragraph headed “Written resolutions of the sole Shareholder passed on 23 January 2017 and 8 May 2017” in the section headed “Further information about the Company” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of the Company’s share capital in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares that may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “Repurchase by the Company of its own securities” in the section headed “Further information about the Company” in Appendix V to this prospectus.

SHARE CAPITAL

The general mandate to issue shares and repurchase Shares will respectively expire:

- (a) at the conclusion of the next annual general meeting of the Company;
- (b) at the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of the Cayman Islands or the Articles to be held; or
- (c) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

For further details of these general mandates, please refer to the paragraphs headed “Written resolutions of the sole Shareholder passed on 23 January 2017 and 8 May 2017” and “Repurchase by the Company of its own securities” respectively in the section headed “Further information about the Company” in Appendix V to this prospectus.

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You should read this section in conjunction with the Group's audited consolidated financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. The Group's consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by the Group in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet the Group's expectations and projections depends on a number of risks and uncertainties over which the Group does not have control. For further information, you should refer to the section "Risk factors" in this prospectus.

OVERVIEW

The Group is an apparel supply chain management services provider. Headquartered in Hong Kong, the Group principally sells knitwear products in predominately the Japan market. The Group provides one-stop supply chain management solutions for its customers ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and logistics services. The Group's customers are mainly owners or sourcing agents of apparel retail brands based in Japan, which products are marketed and sold under their own brands.

During the Track Record Period, the Group's revenue was mainly derived from the sales of knitwear products such as pullovers, cardigans, vests and skirts with the provision of apparel supply chain management services to its customers. The Group does not possess its own labels. All the Group's knitwear products are manufactured in accordance with the specifications and requirements set out by the Group's customers in the sales order and/or design recommended or inspired by the Group. The following table sets out a breakdown of the Group's revenue by types of knitwear products during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Pullovers	242,869	61.0	293,749	67.5	205,182	78.0	238,226	76.4
Cardigans	137,239	34.5	129,709	29.8	52,097	19.8	66,665	21.4
Other knitwear products								
(Note)	17,860	4.5	11,748	2.7	5,670	2.2	6,734	2.2
	<u>397,968</u>	<u>100.0</u>	<u>435,206</u>	<u>100.0</u>	<u>262,949</u>	<u>100.0</u>	<u>311,625</u>	<u>100.0</u>

Note: Other knitwear products comprise vests, skirts, dresses, overalls, pants, ponchos, jackets, neck warmers and scarfs.

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The Group's knitwear products can be divided into two categories, namely womenswear and menswear. During the Track Record Period, the Group's revenue was mainly derived from the sales of womenswear, representing approximately 90.6%, 83.5% and 77.9% of the Group's total revenue respectively. The following table sets out a breakdown of the Group's revenue during the Track Record Period by categories:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Womenswear	360,390	90.6	363,294	83.5	206,459	78.5	242,803	77.9
Menswear	37,578	9.4	71,912	16.5	56,490	21.5	68,822	22.1
	<u>397,968</u>	<u>100.0</u>	<u>435,206</u>	<u>100.0</u>	<u>262,949</u>	<u>100.0</u>	<u>311,625</u>	<u>100.0</u>

During the Track Record Period, majority of the Group's knitwear products were sold to Japan. The Group's products were also sold to Hong Kong, the PRC, Taiwan, France, the USA, Australia and South Africa. The following table sets out a breakdown of the Group's revenue by geographical segments (according to the locations where the Group's products were sold) during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Japan	367,251	92.3	390,801	89.8	235,865	89.7	288,884	92.7
Hong Kong	22,595	5.7	29,515	6.8	17,904	6.8	14,473	4.6
The PRC	4,533	1.1	10,736	2.5	6,056	2.3	7,076	2.3
Other locations								
<i>(Note)</i>	<u>3,589</u>	<u>0.9</u>	<u>4,154</u>	<u>0.9</u>	<u>3,124</u>	<u>1.2</u>	<u>1,192</u>	<u>0.4</u>
	<u>397,968</u>	<u>100.0</u>	<u>435,206</u>	<u>100.0</u>	<u>262,949</u>	<u>100.0</u>	<u>311,625</u>	<u>100.0</u>

Note: Other locations comprise Taiwan, France, the USA, Australia and South Africa.

BASIS OF PRESENTATION

Prior to the Share Offer, the Group had undergone the Reorganisation after which the Company has become the holding company of the Group since 18 May 2016. Please refer to the section headed "History, Reorganisation and corporate structure — Reorganisation" in this prospectus for details.

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The financial information set out in the Accountants' Report in Appendix I to this prospectus aims to include assets, liabilities, income and expenses that are related to and specifically identified for the Garment Business. During the Track Record Period, apart from running the Garment Business, Speed Apparel and Firenze Apparel also have certain non-core assets and liabilities which are not directly related to, nor form part of, the Group's principal Garment Business (the "**Other Assets and Liabilities**") and the Group had segregated the relevant financial information of the Garment Business, to the extent possible, from the historical financial information of Speed Apparel and Firenze Apparel for the preparation of the financial information to be included in the Accountants' Report. In particular, since Speed Apparel and Firenze Apparel maintained the same bank accounts for both of their Garment Business as well as for their Other Assets and Liabilities, all cash transactions from the Garment Business and the Other Assets and Liabilities are processed through the same bank accounts, which cannot be segregated. As a result, the bank balances and cash of Speed Apparel and Firenze Apparel for the Track Record Period were reflected in the financial information throughout the Track Record Period. The Directors believe that the method of segregation and allocation represents a reasonable basis of determining what the financial position and financial performance of the Garment Business would have been on a stand-alone basis.

The financial information has been prepared on the basis as if the Company had always been the holding company of the Group and the Group had always been operating the Garment Business, using the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the Garment Business as if the Company had always been the holding company of the Group, and the Garment Business had always been operated by the Group and the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2015 and 2016 have been prepared to present the assets and liabilities of the Garment Business as if the Company had always been the holding company of the Group, the Garment Business had always been operated by the Group and the current group structure had been in existence at those dates, taking into account the respective dates of incorporation/establishment, where applicable.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Group's results of operations and financial condition during the Track Record Period have been and will continue to be affected by a number of factors, including but not limited to those set forth in the section headed "Risk factors" in this prospectus and as set out below:

The Group's business relationship with major customers

The Group's top five customers accounted for approximately 86.9%, 90.4% and 92.1% of the total revenue for the two years ended 31 March 2016 and for the eight months ended 30 November 2016, respectively. In particular, approximately 43.9%, 50.8% and 50.9% of the Group's total revenue were attributable to its largest customer for the two years ended 31 March 2016 and for the eight months ended 30 November 2016, respectively. The Group has not entered into any long-term sales contracts with its customers. The customers are not obligated in any way to continue to provide the Group with new business in the future at a level similar to that in the past or at all. If any of these top customers reduces the volume or prices of products to be ordered to the Group or to terminate the business relationship with the Group entirely, there can be no assurance that the Group would be able to secure new business from other customers for replacement. In addition, if any of the Group's major customers experience any financial difficulty and fail to settle the outstanding amounts due to the Group in accordance with the agreed credit terms, the Group's working capital position may be adversely affected.

The Group's business relationship with major manufacturers

The Group's production of apparels for its customers was carried out by the third-party manufacturers with manufacturing operations located in the PRC and/or Thailand. During the Track Record Period, the subcontracting charges accounted for approximately 71.0%, 76.2% and 74.7% of the Group's total cost of sales respectively. The Group did not enter into any long-term contract with the third-party manufacturers, the terms of services provided by them may also be susceptible to fluctuations with regard to pricing, timing and quality. Any increase in these factors may be passed on to the Group but the Group might not be able to pass on all or any part of the increase in costs to its customers, which may have material adverse effect on the Group's financial performance.

Raw materials price

Cost of raw materials and consumable used include the cost of yarn, buttons, zippers and other accessories for the knitwear products. For each of the two years ended 31 March 2016 and the eight months ended 30 November 2016, such costs represented approximately 27.1%, 20.9% and 22.6% of the Group's cost of sales respectively. The Group has not entered into long-term agreements with its raw material suppliers. For each order, the Group enters into separate purchase orders which set out the terms regarding the price, purchase quantity, delivery terms and settlement terms, among others. There is no assurance that the existing

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suppliers of the Group will continue to supply the raw materials the Group to produce the knitwear products at favourable or similar prices, or at all. In the event that the prices of raw materials continue to rise and the Group is unable to increase the prices of the products to the same or higher extent, the Group's profitability may be adversely affected.

Consumer consumption level and macroeconomic conditions

The Group's customers are predominantly located in Japan. The Group's performance and profitability are dependent on the consumer consumption level and the macroeconomic conditions around the world especially in Japan. There are many factors which may affect the level of consumer spending in Japan, including but not limited to level of disposable income, interest rates, currency exchange rates, recession, inflation, political uncertainty, taxation, tariff regime, stock market performance, unemployment level and general consumer confidence.

Market competition

The Group's business acts as an intermediary between owners or sourcing agents of apparel retail brands and third-party manufacturers. With the development of the internet and the increasing popularity of businesses, in particular third-party manufacturers, providing business-to-business commerce sites, brand owners and sourcing agents may be able to easily access third-party manufacturers and may reduce their reliance on the Group's supply chain management solutions and services and which may have a material adverse impact on the Group's financials.

Seasonality

The apparel market exhibits seasonality and is subject to dynamic changes in trends and consumers' preferences. The Group and its customers are accustomed to traditional seasonal cycles and the apparel products the Group procured for its customers may not adapt to distinct changes between seasons or in weather conditions. Other than seasonality, any unexpected and abnormal climate changes and weather events may affect the sales of the Group's knitwear products which, in turn, may have material adverse impact to the operation and profitability of the Group.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of the Group's financial position and results of operations as included in this prospectus is based on the consolidated financial statements prepared using the significant accounting policies set forth in Note 3 to Section A of the Accountants' Report set out in Appendix I to this prospectus, which conform with the HKFRS.

Below is a summary of certain significant accounting policies that the Group believes are important to the presentation of its financial results and positions.

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Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns. Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

For further details, please refer to Note 3 to Section A of the Accountants' Report set out in Appendix I to this prospectus.

Other accounting policies

The Group also has other accounting policies, such as "Merger accounting for business combination involving entities under common control", "Leasing", "Foreign currencies", "Taxation", "Inventories" and "Impairment losses" that the Group considers to be significant, the details of which are set forth in Note 3 to Section A of the Accountants' Report set out in Appendix I to this prospectus.

KEY SOURCES OF ESTIMATES UNCERTAINTY

The critical accounting judgements that the Group uses in applying its accounting policies are set out in Note 4 to Section A of the Accountants' Report set out in Appendix I to this prospectus. In the application of the Group's accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of trade and bills receivables

As at 31 March 2015, 31 March 2016 and 30 November 2016, the carrying amounts of trade and bills receivables were approximately HK\$9.8 million, HK\$26.0 million and HK\$39.2 million, respectively. Please refer to Note 4 to Section A of the Accountants' Report set out in Appendix I to this prospectus for further details.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The table below sets out the Group's consolidated statements of profit or loss and other comprehensive income during the Track Record Period, which was derived from the Accountants' Report as set out in Appendix I to this prospectus:

	Year ended 31 March		For the eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Revenue	397,968	435,206	262,949	311,625
Cost of sales	<u>(335,360)</u>	<u>(371,059)</u>	<u>(227,212)</u>	<u>(266,249)</u>
Gross profit	62,608	64,147	35,737	45,376
Other income	1,738	1,486	1,065	1,176
Other loss	(1,477)	(2,135)	(1,224)	(1,521)
Selling and distribution expenses	(26,503)	(22,517)	(13,655)	(15,695)
Administrative expenses	(21,514)	(20,582)	(12,921)	(14,554)
Listing expenses	—	(3,207)	—	(7,055)
Finance costs	<u>(2,232)</u>	<u>(1,359)</u>	<u>(1,167)</u>	<u>(488)</u>
Profit before taxation	12,620	15,833	7,835	7,239
Income tax expense	<u>(2,088)</u>	<u>(3,367)</u>	<u>(1,238)</u>	<u>(2,412)</u>
Profit for the year/period	10,532	12,466	6,597	4,827
Other comprehensive income (expense)				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising on translation of foreign operations	<u>—</u>	<u>1</u>	<u>—</u>	<u>(69)</u>
Total comprehensive income for the year/period	<u>10,532</u>	<u>12,467</u>	<u>6,597</u>	<u>4,758</u>

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Revenue

The Group is an apparel supply chain management services provider. Headquartered in Hong Kong, the Group principally sells knitwear products predominately in the Japan market. During the Track Record Period, the Group's revenue was mainly derived from the sales of knitwear products such as pullovers, cardigans, vests and skirts with the provision of apparel supply chain management services to its customers. Since the Group does not own or operate any manufacturing operations, the Group will outsource the whole manufacturing process to third-party manufacturers with manufacturing operations located in the PRC and/or Thailand.

The Group's knitwear products can be divided into two categories, namely womenswear and menswear. During the Track Record Period, the Group's revenue was mainly derived from the sales of womenswear, representing approximately 90.6%, 83.5% and 77.9% of the Group's total revenue respectively. The following table sets out a breakdown of the Group's revenue during the Track Record Period by product categories:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Womenswear	360,390	90.6	363,294	83.5	206,459	78.5	242,803	77.9
Menswear	37,578	9.4	71,912	16.5	56,490	21.5	68,822	22.1
	<u>397,968</u>	<u>100.0</u>	<u>435,206</u>	<u>100.0</u>	<u>262,949</u>	<u>100.0</u>	<u>311,625</u>	<u>100.0</u>

All the Group's knitwear products are manufactured in accordance with the specifications and requirements set out by the Group's customers in the sales orders and/or designs recommended or inspired by the Group. The following table sets out a breakdown of the Group's revenue during the Track Record Period by design origination:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Designs developed by the Group	142,324	35.8	175,028	40.2	130,855	49.8	134,541	43.2
Designs developed by customers	255,644	64.2	260,178	59.8	132,094	50.2	177,084	56.8
	<u>397,968</u>	<u>100.0</u>	<u>435,206</u>	<u>100.0</u>	<u>262,949</u>	<u>100.0</u>	<u>311,625</u>	<u>100.0</u>

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Sales volume

During the Track Record Period, the sales volume of the Group amounted to approximately 7,522,000, 8,352,000 and 5,350,000 units of finished knitwear products respectively. Set out below are the total sales quantities of each product category during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	<i>Units sold</i>		<i>Units sold</i>		<i>Units sold</i>		<i>Units sold</i>	
	(<i>'000</i>)	%	(<i>'000</i>)	%	(<i>'000</i>)	%	(<i>'000</i>)	%
	<i>(unaudited)</i>							
Womenswear	7,179	95.4	7,010	83.9	3,928	77.9	4,162	77.8
Menswear	343	4.6	1,342	16.1	1,114	22.1	1,188	22.2
	<u>7,522</u>	<u>100.0</u>	<u>8,352</u>	<u>100.0</u>	<u>5,042</u>	<u>100.0</u>	<u>5,350</u>	<u>100.0</u>

Average selling price

The selling price of each of the product categories depends primarily on, among other thing, (i) the complexity of the product design; (ii) the size of an order; (iii) the delivery schedule set out by customers; (iv) the costs of raw materials; and (v) the production costs as quoted by the third-party manufacturers. Accordingly, the selling price of the Group's products may differ considerably in different purchase orders by different customers. Set out below are the average selling prices per unit of finished product sold by the Group to its customers for each product category during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	Price range	Average selling price	Price range	Average selling price	Price range	Average selling price	Price range	Average selling price
	<i>HK\$</i>	<i>(Note)</i>	<i>HK\$</i>	<i>(Note)</i>	<i>HK\$</i>	<i>(Note)</i>	<i>HK\$</i>	<i>(Note)</i>
Womenswear	30.8–326.0	50.2	21.8–378.3	51.8	21.8–282.0	52.6	32.8–922.7	58.3
Menswear	41.3–655.2	109.7	36.3–499.2	53.6	36.3–499.2	50.7	39.0–397.8	58.0
Total average selling price		<u>52.9</u>		<u>52.1</u>		<u>52.2</u>		<u>58.2</u>

Note: The average selling price represents the revenue for the year/period divided by the total sales quantities for that year/period.

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Location of customers

During the Track Record Period, the majority of the Group's knitwear products were sold to Japan while the remaining were sold to Hong Kong, the PRC, Taiwan, France, Australia, South Africa and the USA. The following table sets out a breakdown of the Group's revenue by geographical segments during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
Japan	367,251	92.3	390,801	89.8	235,865	89.7	288,884	92.7
Hong Kong	22,595	5.7	29,515	6.8	17,904	6.8	14,473	4.6
The PRC	4,533	1.1	10,736	2.5	6,056	2.3	7,076	2.3
Other locations (Note)	3,589	0.9	4,154	0.9	3,124	1.2	1,192	0.4
	<u>397,968</u>	<u>100.0</u>	<u>435,206</u>	<u>100.0</u>	<u>262,949</u>	<u>100.0</u>	<u>311,625</u>	<u>100.0</u>

Note: Other locations comprise Taiwan, France, Australia, South Africa and the USA.

Denomination of sales

Set out below is a breakdown of the Group's revenue by currency denomination during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
HK\$	167	0.0	—	—	—	—	—	—
RMB	4,189	1.1	10,164	2.3	5,686	2.2	6,901	2.2
US\$	393,612	98.9	425,042	97.7	257,263	97.8	304,724	97.8
	<u>397,968</u>	<u>100.0</u>	<u>435,206</u>	<u>100.0</u>	<u>262,949</u>	<u>100.0</u>	<u>311,625</u>	<u>100.0</u>

The majority of the Group's revenue were denominated in US\$ during the Track Record Period. For the two years ended 31 March 2016 and the eight months ended 30 November 2016, the Group recorded other loss of approximately HK\$1.5 million, HK\$2.1 million and HK\$1.5 million respectively, was mainly attributable to the increase in sales orders which were denominated in US\$ coupled with the exchange loss arising from depositing the relevant payment from customers into the Group's HK\$ denominated bank accounts for each of the relevant period. Such exchange differences arising on the Group's revenue denominated in US\$ was mainly due to the translation of such transaction amounts were recognised in the Group's consolidated statement of profit or loss and other comprehensive income according to an exchange rate of HK\$7.80: USD1.00 whilst the settlement of such transaction amounts were based on the rate of exchanges prevailing on

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the dates of settlement. Notwithstanding the above, the Directors are of the opinion that the Group's exposure to US\$ foreign currency risk is minimal as HK\$ was pegged to US\$ by the Hong Kong's Linked Exchange Rate System.

However, the fluctuations in the foreign exchange rate of JPY may materially affect the Group's business. If JPY depreciates, the Japanese customers may consider the Group's product (which are quoted in USD) relatively higher and as a result bargain for a deeper discount in the prices and may order less. Please refer to the section headed "The Group's performance and profitability may be affected by the fluctuation of exchange rate of JPY" for further details. Under such circumstances, the Group will further negotiate the raw material prices with suppliers and strive to obtain more sales order from new customers or other existing customers to replace any such loss of sales in order to maintain the Group's profit margin. Furthermore, as it is the Group's strategy to attempt to, if necessary, stock up raw materials that are classic or commonly used when the prices decrease. As such, the Directors consider that the above practice would allow the Group to effectively manage the risk as to fluctuations in the foreign exchange rate of JPY.

Cost of sales

The breakdown of cost of sales for each of the Track Record Period is as follows:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					<i>(unaudited)</i>			
Subcontracting charges	238,098	71.0	282,827	76.2	170,805	75.2	198,915	74.7
Raw materials and consumable used	90,772	27.1	77,663	20.9	49,829	21.9	60,242	22.6
Inspection fee	4,590	1.4	8,709	2.4	5,607	2.5	6,370	2.4
Other processing charges	1,900	0.5	1,860	0.5	971	0.4	722	0.3
	<u>335,360</u>	<u>100.0</u>	<u>371,059</u>	<u>100.0</u>	<u>227,212</u>	<u>100.0</u>	<u>266,249</u>	<u>100.0</u>

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Cost of sales primarily comprises:

- (i) Subcontracting charges represent the charges paid and payable to the third-party manufacturers who provide production services to the Group. The following sensitivity analysis illustrates the impact of hypothetical fluctuation in the Group's subcontracting charges on the Group's profit during the Track Record Period. The hypothetical fluctuation rates are set at 10%, which is the maximum fluctuation rate during the Track Record Period, and at 20%, which is the double of the maximum fluctuation rate to illustrate the impacts on the profit in a more extreme scenario:

Hypothetical fluctuations in subcontracting charges	-10%	-20%	+10%	+20%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(Decrease) in profit before tax				
Year ended 31 March 2015	23,810	47,620	(23,810)	(47,620)
Year ended 31 March 2016	28,283	56,565	(28,283)	(56,565)
Period ended 30 November 2015	17,081	34,161	(17,081)	(34,161)
Period ended 30 November 2016	19,892	39,783	(19,892)	(39,783)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2015	19,881	39,763	(19,881)	(39,763)
Year ended 31 March 2016	23,616	47,232	(23,616)	(47,232)
Period ended 30 November 2015	14,263	28,524	(14,263)	(28,524)
Period ended 30 November 2016	16,610	33,219	(16,610)	(33,219)

- (ii) Raw materials and consumables used represent purchase cost of direct raw materials such as yarn and ancillary raw materials, including buttons and zippers. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's cost of raw materials and consumable used on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 10%, which is the maximum fluctuation rate during the Track Record Period, and at 20%, which is the double of the maximum fluctuation rate to illustrate the impacts on the profit in a more extreme scenario:

Hypothetical fluctuations in cost of raw materials and consumable used	-10%	-20%	+10%	+20%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(Decrease) in profit before tax				
Year ended 31 March 2015	9,077	18,154	(9,077)	(18,154)
Year ended 31 March 2016	7,766	15,533	(7,766)	(15,533)
Period ended 30 November 2015	4,983	9,966	(4,983)	(9,966)
Period ended 30 November 2016	6,024	12,048	(6,024)	(12,048)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2015	7,579	15,159	(7,579)	(15,159)
Year ended 31 March 2016	6,485	12,970	(6,485)	(12,970)
Period ended 30 November 2015	4,161	8,322	(4,161)	(8,322)
Period ended 30 November 2016	5,030	10,060	(5,030)	(10,060)

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- (iii) Inspection fee represents the fee paid and payable to the inspection centres who carry out quality inspections on the knitwear products.
- (iv) Other processing charges represent the laboratory testing fee, machinery embroidery charges and dyeing charges etc.

Denomination of cost of sales

Set out below is a breakdown of the Group's cost of sales by currency denomination during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
HK\$	175,933	52.4	254,895	68.7	153,014	67.4	123,887	46.5
US\$	142,448	42.5	75,476	20.3	44,372	19.5	112,240	42.2
RMB	16,003	4.8	36,363	9.8	26,417	11.6	28,717	10.8
Other currencies	976	0.3	4,325	1.2	3,409	1.5	1,405	0.5
	<u>335,360</u>	<u>100.0</u>	<u>371,059</u>	<u>100.0</u>	<u>227,212</u>	<u>100.0</u>	<u>266,249</u>	<u>100.0</u>

Note: Other currencies comprise JPY, Thai baht and Euro.

Payments made by the Group for settlement of subcontracting charges, raw materials and consumable used, inspection fee and other processing charges are mainly made in HK\$, US\$ and RMB. The Group did not use any derivative instruments in foreign currency to hedge the risk against foreign currency exchange fluctuations during the Track Record Period. As the Group's sales are predominantly denominated in US\$ while its costs are mainly denominated in HK\$, US\$ and RMB, the movements in the exchange rate of RMB against US\$ may have a direct effect on the Group's financial performance. For instance, the appreciation of RMB against US\$ will lead to increased cost of sales and decreased profit margin for the Group. However, the Directors believe that the Group's exposure to RMB foreign currency risk is low as only a minority portion of the costs of sale was settled by RMB during the Track Record Period.

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Gross profit and gross profit margin

The table sets forth a breakdown of the gross profit and gross profit margin by product categories during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	<i>Gross profit</i>		<i>Gross profit</i>		<i>Gross profit</i>		<i>Gross profit</i>	
	<i>HK\$'000</i>	<i>margin (%)</i>	<i>HK\$'000</i>	<i>margin (%)</i>	<i>HK\$'000</i>	<i>margin (%)</i>	<i>HK\$'000</i>	<i>margin (%)</i>
	(unaudited)							
Womenswear	54,391	15.1	54,806	15.1	29,840	14.5	36,796	15.2
Menswear	8,217	21.9	9,341	13.0	5,897	10.4	8,580	12.5
Overall	62,608	15.7	64,147	14.7	35,737	13.6	45,376	14.6

The table sets forth a breakdown of the gross profit margin for the Group's products during the Track Record Period by design origination:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	<i>Gross profit</i>		<i>Gross profit</i>		<i>Gross profit</i>		<i>Gross profit</i>	
	<i>HK\$'000</i>	<i>margin (%)</i>	<i>HK\$'000</i>	<i>margin (%)</i>	<i>HK\$'000</i>	<i>margin (%)</i>	<i>HK\$'000</i>	<i>margin (%)</i>
	(unaudited)							
Designs developed by the Group	18,408	12.9	23,756	13.6	14,716	11.2	18,338	13.6
Designs developed by customers	44,200	17.3	40,391	15.5	21,021	15.9	27,038	15.3
	62,608	15.7	64,147	14.7	35,737	13.6	45,376	14.6

Gross profit for each category is calculated as revenue of each of the product categories minus cost of sales allocated to the relevant product categories. The cost of sales mainly includes (i) subcontracting charges; (ii) raw materials and consumable used; (iii) inspection fees; and (iv) other processing charges.

The Group's gross profit amounted to approximately HK\$62.6 million, HK\$64.1 million and HK\$45.4 million for each of the two years ended 31 March 2016 and the eight months ended 30 November 2016. The Group's overall gross profit margin was approximately 15.7%, 14.7% and 14.6% for each of the two years ended 31 March 2016 and the eight months ended 30 November 2016. Such decrease in the Group's overall gross profit margin was mainly attributable to the

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decrease in the gross profit margin of menswear during the Track Record Period, which in turn was mainly due to the increase in purchase orders of lower priced products from a major customer with lower gross profit margin. The gross profit margin of womenswear remained relatively stable at approximately 15.1%, 15.1% and 15.2% for each of the two years ended 31 March 2016 and the eight months ended 30 November 2016.

For each of the two years ended 31 March 2016 and the eight months ended 30 November 2016, the gross profit margin for the product designs developed by the Group accounted for approximately 12.9%, 13.6% and 13.6%, respectively while the gross profit margin for the product designs developed by the customers accounted for approximately 17.3%, 15.5% and 15.3%, respectively. The gross profit margin for product designs developed by the Group's customers was higher than that of those developed by the Group was mainly attributable to the fact that certain sample charges and other costs related to the product designs were incurred for the Group's product designs development activities whereas the customers' order quantities on their designed products were generally in a larger scale which allowed the Group to enjoy lower production cost and hence achieved economies of scale.

Other income

The following table sets out the Group's other income during the Track Record Period:

	Year ended 31 March		For the eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Sample sales income	1,532	1,360	960	1,165
Bank interest income	204	124	105	11
Others	2	2	—	—
	<u>1,738</u>	<u>1,486</u>	<u>1,065</u>	<u>1,176</u>

Other loss

For the two years ended 31 March 2016 and the eight months ended 30 November 2016, the Group recorded other loss of approximately HK\$1.5 million, HK\$2.1 million and HK\$1.5 million respectively, was mainly attributable to the increase in sales orders which were denominated in USD coupled with the exchange loss arising from depositing the relevant payment from customers into the Group's HK\$ denominated bank accounts for each of the relevant period.

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Selling and distribution expenses

The following table sets out the Group's selling and distribution expenses during the Track Record Period:

	Year ended 31 March		For the eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Advertising expense	163	108	52	112
Commission	3,767	2,390	1,741	1,223
Logistic expenses	3,546	3,213	1,930	2,246
Sample costs	6,811	5,807	3,943	5,097
Staff costs and benefits	12,216	10,999	5,989	7,017
	<u>26,503</u>	<u>22,517</u>	<u>13,655</u>	<u>15,695</u>

Administrative expenses

The following table sets out the Group's administrative and other operating expenses during the Track Record Period:

	Year ended 31 March		For the eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Audit fee	95	150	100	533
Bank charges	1,348	1,287	629	960
Depreciation	2,022	1,713	1,284	489
Directors' emoluments	3,194	2,932	1,925	1,933
Entertainment	889	604	436	352
Legal and professional fee	39	232	—	173
Office expenses	2,575	1,697	1,241	1,443
Overseas and local travelling	1,962	1,882	1,239	1,521
Rent and rates	578	646	338	818
Staff costs and benefits	8,812	9,439	5,729	6,332
	<u>21,514</u>	<u>20,582</u>	<u>12,921</u>	<u>14,554</u>

Finance cost

During the Track Record Period, the Group's finance costs amounted to approximately HK\$2.2 million, HK\$1.4 million and HK\$0.5 million, respectively. The Group's finance costs represent interest expenses on the Group's bank borrowings.

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Income tax expenses (credit)

The amounts of income tax expenses in the consolidated statements of comprehensive income represent:

	Year ended 31 March		For the eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Current tax:				
Hong Kong Profits Tax				
— current year/period	2,021	3,121	1,238	2,310
— overprovision in prior years	(1)	—	—	—
PRC Enterprise Income Tax (“EIT”)				
— current year/period	—	—	—	122
	2,020	3,121	1,238	2,432
Deferred tax	68	246	—	(20)
	<u>2,088</u>	<u>3,367</u>	<u>1,238</u>	<u>2,412</u>

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits during the Track Record Period.

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit of a subsidiary established in the PRC, as determined in accordance with the relevant enterprise income tax law, implementation rules and notices in the PRC.

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The tax charge for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		For the eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Profit before taxation	<u>12,620</u>	<u>15,833</u>	<u>7,835</u>	<u>7,239</u>
Tax at Hong Kong Profits tax rate of 16.5%	2,082	2,612	1,293	1,194
Tax effect of expenses not deductible for tax purposes	48	592	—	1,179
Tax effect of income not taxable for tax purposes	(1)	(20)	(55)	(2)
Overprovision in prior years	(1)	—	—	—
Tax effect of profit under tax concessions	(40)	(61)	—	—
Tax effect of reversal of deferred tax recognised in prior years/period	—	244	—	—
Effect of difference tax rate of a subsidiary operating in another jurisdiction	<u>—</u>	<u>—</u>	<u>—</u>	<u>41</u>
Income tax expenses for the year/period	<u>2,088</u>	<u>3,367</u>	<u>1,238</u>	<u>2,412</u>

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax base used in the computation of taxable profit. For further details, please refer to notes 7 and 13 to Section A of the Accountants' Report set out in Appendix I to this prospectus.

The Directors confirm that the Group had paid all relevant taxes and was not subject to any disputes or tax issues during the Track Record Period.

COMPARISON OF RESULTS OF OPERATIONS**Year ended 31 March 2016 compared to year ended 31 March 2015*****Revenue***

The Group's revenue increased by approximately 9.3%, or approximately HK\$37.2 million, from approximately HK\$398.0 million for the year ended 31 March 2015 to approximately HK\$435.2 million for the year ended 31 March 2016. The increase in revenue was mainly attributable to the increase in sales volume of the knitwear products.

Womenswear

During the Track Record Period, the Group's revenue was mainly derived from the sales of womenswear. Revenue derived from the sales of womenswear increased by approximately HK\$2.9 million or 0.8% from approximately HK\$360.4 million for the year ended 31 March 2015 to approximately HK\$363.3 million for the year ended 31 March 2016. Such slight increase was mainly attributable to the increase in average selling price from approximately HK\$50.2 for the year ended 31 March 2015 to approximately HK\$51.8 for the year ended 31 March 2016, which outweighs the decrease in sales quantity from approximately 7.2 million pieces to approximately 7.0 million pieces.

Menswear

The Group's revenue derived from the sales of menswear significant increased by approximately HK\$34.3 million or 91.2% from approximately HK\$37.6 million for the year ended 31 March 2015 to approximately HK\$71.9 million for the year ended 31 March 2016. Such increase was mainly attributable to the increase in sales orders of menswear placed by existing customers and more frequent marketing activities implemented by the Group during the year.

Cost of sales

The Group's cost of sales increased from approximately HK\$335.4 million for the year ended 31 March 2015 to approximately HK\$371.1 million for the year ended 31 March 2016, representing an increase of approximately 10.6%.

Subcontracting charges were the largest component of the Group's cost of sales, representing approximately 71.0% and 76.2% for the two years ended 31 March 2016, respectively. The subcontracting charges increased from approximately HK\$238.1 million for the year ended 31 March 2015 to approximately HK\$282.8 million for the year ended 31 March 2016, representing an increase of approximately 18.8%, while the inspection fee increased from approximately HK\$4.6 million for the year ended 31 March 2015 to approximately HK\$8.7 million for the year ended 31 March 2016, representing an increase of approximately 89.1%. The increase in subcontracting charges and inspection fee was generally in line with the increase in the Group's revenue and cost of sales for the year ended 31 March 2016 as compared to that for the year ended 31 March 2015.

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In addition, the increase in the Group's demand for the third party manufacturers to source and procure raw materials and consumables for production during the year ended 31 March 2016, which led to the increase in subcontracting charges paid to the subcontractors by the Group.

Raw materials and consumable used decreased from approximately HK\$90.8 million for the year ended 31 March 2015 to approximately HK\$77.7 million for the year ended 31 March 2016, representing a decrease of approximately 14.4%. The decrease in raw materials and consumable used was due to the increase in the Group's demand for the third party manufacturers to source and procure raw materials and consumables for production as aforementioned.

The other processing charges remained relatively stable and represented approximately 0.5% and 0.5% of total cost of sales for each of the year ended 31 March 2015 and 2016 respectively.

Gross profit

The Group's gross profit increased from approximately HK\$62.6 million for the year ended 31 March 2015 to approximately HK\$64.1 million for the year ended 31 March 2016, representing approximately 2.4% increase. The increase was mainly attributable to the increase in sales volume of knitwear products. However, as there was increase in purchase orders of lower priced products of menswear from a major customer with lower gross profit margin, the gross profit margin of the Group decreased from approximately 15.7% for the year ended 31 March 2015 to approximately 14.7% for the year ended 31 March 2016.

Other income

The Group's other income amounted to approximately HK\$1.7 million and HK\$1.5 million for each of the year ended 31 March 2015 and 2016 respectively. The decrease in other income was mainly attributable to a decrease in sample sales income and bank interest income.

Other loss

Other loss increased by approximately HK\$0.6 million, or approximately 40.0%, from approximately HK\$1.5 million for the year ended 31 March 2015 to approximately HK\$2.1 million for the year ended 31 March 2016. Such increase in other loss was primarily due to the increase in sales orders which were denominated in USD for the year ended 31 March 2016 coupled with the exchange loss arising from depositing the relevant payment from customers into the Group's HK\$ denominated bank accounts.

Selling and distribution expenses

The Group's selling and distribution expenses amounted to approximately HK\$26.5 million and HK\$22.5 million for each of the two years ended 31 March 2016 respectively. The decrease in selling and distribution expenses was mainly due to the decrease in (i) commission; (ii) sample costs; and (iii) staff costs and benefits. The decrease in commission was mainly due to the decrease in the rate of commission, which is based on the product brands, charged by the sourcing agents.

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The reduction in staff costs was mainly attributable to the decrease in number of merchandisers as a result of resignation during the year ended 31 March 2016 compared to the year ended 31 March 2015.

Administrative expenses

The administrative expenses decreased from approximately HK\$21.5 million for the year ended 31 March 2015 to approximately HK\$20.6 million for the year ended 31 March 2016, which was due to the decrease in office expenses and depreciation which outweighs the increase in staff costs and benefits.

Finance costs

The Group's finance costs decreased by approximately HK\$0.8 million or 36.4% from approximately HK\$2.2 million for the year ended 31 March 2015 to approximately HK\$1.4 million for the year ended 31 March 2016, which was primarily due to a decrease in interest expenses on the Group's bank borrowings for the year ended 31 March 2016.

Profit before income tax

As a result of the foregoing, profit before income tax increased by approximately 25.4% or HK\$3.2 million from approximately HK\$12.6 million for the year ended 31 March 2015 to approximately HK\$15.8 million for the year ended 31 March 2016.

Income tax expenses

The Group's income tax expense increased by approximately HK\$1.3 million or 61.9% from approximately HK\$2.1 million for the year ended 31 March 2015 to approximately HK\$3.4 million for the year ended 31 March 2016. Such increase was mainly attributable to the increase in the Group's assessable income which was in line with the Group's financial result for the year ended 31 March 2016. In addition, the Group recognised listing expenses of HK\$3.2 million in profit or loss for the year ended 31 March 2016, which is non-deductible for tax purpose and thus has been added back in determining income tax expenses for the year.

The effective tax rate for the two years ended 31 March 2016 were approximately 16.5% and 21.3% respectively. The increase in the effective tax rate was mainly due to the non-deductible listing expenses incurred for the year ended 31 March 2016 as aforementioned.

Profit for the year

The profit for the year increased by approximately 19.0% or HK\$2.0 million from approximately HK\$10.5 million for the year ended 31 March 2015 to approximately HK\$12.5 million for the year ended 31 March 2016 due to the combined effect of abovementioned items.

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Eight months ended 30 November 2015 compared to eight months ended 30 November 2016

Revenue

The Group's revenue increased by approximately 18.5%, or approximately HK\$48.7 million, from approximately HK\$262.9 million for the eight months ended 30 November 2015 to approximately HK\$311.6 million for the eight months ended 30 November 2016. The increase in revenue was mainly attributable to the increase in both sales of womenswear by approximately 17.6% or HK\$36.3 million and sales of menswear by approximately 21.8% or HK\$12.3 million.

Womenswear

Revenue derived from the sales of womenswear increased by approximately HK\$36.3 million or 17.6% from approximately HK\$206.5 million for the eight months ended 30 November 2015 to approximately HK\$242.8 million for the eight months ended 30 November 2016. Such increase was mainly attributable to the increase of approximately 10.8% in average selling price of womenswear from approximately HK\$52.6 for the eight months ended 30 November 2015 to approximately HK\$58.3 for the eight months ended 30 November 2016.

Menswear

The Group's revenue derived from the sales of menswear significant increased by 21.8% or approximately HK\$12.3 million from approximately HK\$56.5 million for the eight months ended 30 November 2015 to approximately HK\$68.8 million for the eight months ended 30 November 2016. Such increase was mainly attributable to the continuous efforts of the Group to promote menswear and an increase in average selling price from approximately HK\$50.7 for the eight months ended 30 November 2015 to approximately HK\$58.0 for the eight months ended 30 November 2016.

Cost of sales

The Group's cost of sales increased by approximately 17.2% or HK\$39.0 million from approximately HK\$227.2 million for the eight months ended 30 November 2015 to approximately HK\$266.2 million for the eight months ended 30 November 2016, which was in line with the increase of revenue by approximately 18.5% for the same period.

Subcontracting charges represented approximately 75.2% and 74.7% of the total cost of sales for the eight months ended 30 November 2015 and 2016, respectively. The subcontracting charges increased by approximately HK\$28.1 million or 16.5% for the eight months ended 30 November 2016, was mainly attributable to the increase in sales volume of the Group's knitwear and the increase in the Group's demand for the third party manufacturers to source and procure raw materials and consumables for production.

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Raw materials and consumable used increased from approximately HK\$49.8 million for the eight months ended 30 November 2015 to approximately HK\$60.2 million for the eight months ended 30 November 2016, representing an increase of approximately 20.9%. The increase in raw materials and consumable used was due to the increase in sales of the Group's knitwear products comparing to that of the previous corresponding period.

The inspection fee and other processing charges accounted for approximately 2.5% and 0.4% of the Group's total cost of sales for the eight months ended 30 November 2015, respectively and approximately 2.4% and 0.3% for the eight months ended 30 November 2016, respectively. The slight decrease in both inspection fee and other processing charges was primarily due to the fact that certain inspection fee and other processing charges were covered by the third party manufacturers as stipulated in the production orders entered into between the Group and the third party manufacturers. The third party manufacturers have taken into account such cost when determining subcontracting charges. This may led to the increase in subcontracting charges paid to the subcontractors by the Group.

Gross profit

The Group's gross profit increased from approximately HK\$35.7 million for the eight months ended 30 November 2015 to approximately HK\$45.4 million for the eight months ended 30 November 2016, representing an increase of approximately 27.2%. Such increase was primarily attributable to (i) the increase in gross profit margin of both womenswear and menswear for the eight months ended 30 November 2016; and (ii) increase in sales quantities of knitwear products which had relatively higher gross profit margin comparing to that of the previous corresponding period.

Other income

The Group's other income amounted to approximately HK\$1,065,000 and HK\$1,176,000 for each of the eight months ended 30 November 2015 and 2016 respectively. The increase in other income was mainly attributable to a decrease in bank interest income of approximately HK\$94,000 and partly offset by an increase in sample sales income of approximately HK\$205,000.

Other loss

The Group's other loss amounted to approximately HK\$1,224,000 and HK\$1,521,000 for each of the eight months ended 30 November 2015 and 2016 respectively. Such increase in other loss was primarily due to the increase in sales orders which were denominated in USD for the eight months ended 30 November 2016 coupled with the exchange loss arising from depositing the relevant payment from customers into the Group's HK\$ denominated bank accounts.

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Selling and distribution expenses

The Group's selling and distribution expenses increased slightly by approximately 14.6% or HK\$2.0 million from approximately HK\$13.7 million for the eight months ended 30 November 2015 to approximately HK\$15.7 million for the eight months ended 30 November 2016. The increase was mainly attributable to the increase in sample costs of approximately HK\$1.2 million and staff costs and benefits of approximately HK\$1.0 million.

Although the Group's revenue increased by approximately 18.5% for the eight months ended 30 November 2016, the Group only recorded an increase on selling and distribution expenses of approximately 14.6%. This was mainly because the increase in revenue was partly contributed by a fashion brand's designated sourcing agent which did not charge any commission to the Group. Whether commission is payable by the Group to a particular fashion brand's designated sourcing agent and if so, the rate at which such commission is charged is based on, amongst others, the products' brands and the services scope agreed between the Group, sourcing agents and fashion brands.

Administrative expenses

The Group's administrative expenses increased by approximately 13.2% or HK\$1.7 million from approximately HK\$12.9 million for the eight months ended 30 November 2015 to approximately HK\$14.6 million for the eight months ended 30 November 2016. Such increase was mainly attributable to increase in audit fee, rent and rates and staff costs and benefits for the eight months ended 30 November 2016 as compared to that of the previous corresponding period.

Finance costs

The Group's finance costs decreased by approximately 58.2% or HK\$679,000 from approximately HK\$1,167,000 for the eight months ended 30 November 2015 to approximately HK\$488,000 for the eight months ended 30 November 2016. The decrease in finance costs was primarily due to a decrease in interest expense on the Group's bank borrowings for the eight months ended 30 November 2016.

Profit before income tax

Although the Group experienced the increase in both revenue and gross profit for the eight months ended 30 November 2016 as aforementioned, the Group recorded a slight decrease on profit before income tax of approximately 7.7% mainly due to the Listing expenses incurred of approximately HK\$7.1 million for the eight months ended 30 November 2016 while no such expenses were recognised for the previous corresponding period.

Income tax expenses

The Group recorded income tax expense of approximately HK\$1.2 million and HK\$2.4 million for the eight months ended 30 November 2015 and 2016, respectively. Such increase was mainly due to the non-deductible Listing expense incurred.

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Profit for the period

The Group's profit for the period decreased by approximately 27.3% or HK\$1.8 million from approximately HK\$6.6 million for the eight months ended 30 November 2015 to approximately HK\$4.8 million for the eight months ended 30 November 2016 mainly due to the combined effect of the abovementioned items.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, the Group's operations were generally financed through a combination of shareholder's equity, internally generated cash flows and borrowings from banks and related parties. The Directors believe that in the long term, the Group's operation will be funded by internally generated cash flows and bank borrowings and, if necessary, additional equity financing.

Cash flows

The following table sets forth selected cash flows data from the Group's consolidated statements of cash flows for the years indicated:

	Year ended 31 March		For the eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Net cash from operating activities	28,575	8,509	2,035	14,004
Net cash (used in) from investing activities	(608)	696	(36)	(292)
Net cash (used in) from financing activities	<u>(21,019)</u>	<u>(17,584)</u>	<u>(15,282)</u>	<u>13,046</u>
Net increase (decrease) in cash and cash equivalents	6,948	(8,379)	(13,283)	26,758
Cash and cash equivalents at beginning of the year/period	22,275	29,223	29,223	20,844
Effect of foreign exchange rate changes	<u>—</u>	<u>—</u>	<u>—</u>	<u>(44)</u>
Cash and cash equivalents at end of the year/period	<u>29,223</u>	<u>20,844</u>	<u>15,940</u>	<u>47,558</u>

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Net cash from operating activities

The net cash generated from operating activities was approximately HK\$28.6 million for the year ended 31 March 2015. The amount was derived from the Group's profit before tax of approximately HK\$12.6 million, mainly adjusted for (i) decrease in inventories of approximately HK\$5.2 million, which was due to the continuous usage of the existing inventory stock for production of sample and finished products; (ii) increase in trade and bills receivables of approximately HK\$3.0 million; and (iii) increase in trade and other payables of approximately HK\$11.1 million. The trade and other payables increased mainly because there was a decrease in the number of raw material suppliers and third party manufacturers that required the Group to make partial or full prepayments during the year ended 31 March 2015.

The net cash generated from operating activities was approximately HK\$8.5 million for the year ended 31 March 2016. The amount was derived from the Group's profit before tax of approximately HK\$15.8 million, mainly adjusted for (i) increase in trade and bills receivables of approximately HK\$16.2 million because of increase in sales during the year ended 31 March 2016; (ii) increase in other receivables, prepayments and deposits of approximately of HK\$8.6 million, due to the increase in purchase orders whereby the subcontractors required more deposits to be paid by the Group; and (iii) decrease in inventories of approximately HK\$18.0 million, primarily because of the continuous usage of the existing inventory stock for production of sample and finished products.

The net cash from operating activities was approximately HK\$14.0 million for the eight months ended 30 November 2016. The amount was derived from the Group's profit before tax of approximately HK\$7.2 million, mainly adjusted for (i) increase in trade and bills receivables of approximately HK\$13.2 million because of increase in sales during the eight months ended 30 November 2016; and (ii) increase in trade and other payables of approximately HK\$20.6 million. The trade and other payables increased mainly because there was an increase in production orders to the third-party manufacturers and purchase orders to the raw material suppliers during the peak season.

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Net cash (used in)/from investing activities

For the year ended 31 March 2015, the Group recorded net cash used in investing activities of approximately HK\$0.6 million, primarily attributable to purchase of property, plant and equipment of approximately HK\$0.6 million, placement of pledged bank deposit of approximately HK\$0.2 million, while partially offset by interest received of approximately HK\$0.2 million.

For the year ended 31 March 2016, the Group recorded net cash from investing activities of approximately HK\$0.7 million, primarily as a result of the withdrawal of pledged bank deposit of approximately HK\$0.7 million and interest received of approximately HK\$0.1 million, which was partially offset by the purchase of property, plant and equipment of approximately HK\$0.1 million.

For the eight months ended 30 November 2016, the Group had net cash used in investing activities of approximately HK\$0.3 million, representing mainly purchase of property, plant and equipment of approximately HK\$0.3 million for the period.

Net cash (used in)/from financing activities

For the year ended 31 March 2015, the Group recorded net cash used in financing activities of approximately HK\$21.0 million, primarily attributable to repayments of bank loans of approximately HK\$22.2 million, dividends of HK\$7.0 million paid to Mr. Chan, interest expenses of approximately HK\$2.2 million and cash outflows of approximately HK\$1.7 million from Other Assets and Liabilities, which was partially offset by the new bank loans of approximately HK\$11.7 million raised.

For the year ended 31 March 2016, the Group recorded net cash used in financing activities of approximately HK\$17.6 million, primarily attributable to repayment of bank loans of approximately HK\$24.3 million, interest paid of approximately HK\$1.4 million and cash outflows of approximately HK\$1.3 million from Other Assets and Liabilities, which was partially offset by bank loans raised of approximately HK\$8.9 million.

For the eight months ended 30 November 2016, the Group had net cash from financing activities of approximately HK\$13.0 million, representing mainly new bank loans raised of approximately HK\$70.1 million offset by repayment of bank loans of approximately HK\$56.5 million.

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NET CURRENT ASSETS

The following table sets out details of the current assets and liabilities as at the dates indicated:

	As at 31 March		As at 30 November	As at 31 March
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)
Current assets				
Inventories	34,954	14,243	20,015	7,137
Trade and bills receivables	9,799	25,956	39,243	8,008
Other receivables, prepayments and deposits	1,424	9,976	11,080	6,961
Amounts due from related parties	—	5,229	—	—
Tax recoverable	473	—	—	—
Pledged bank deposit	6,667	6,000	6,010	6,011
Bank balances and cash	29,223	20,844	47,558	38,503
	<u>82,540</u>	<u>82,248</u>	<u>123,906</u>	<u>66,620</u>
Current liabilities				
Trade and other payables	43,941	44,996	65,767	18,276
Amounts due to related parties	9,444	9,295	9,296	—
Tax payables	326	991	3,410	3,767
Bank borrowing — due within one year	35,477	8,900	22,520	20,333
Obligation under a finance lease	—	—	114	116
	<u>89,188</u>	<u>64,182</u>	<u>101,107</u>	<u>42,492</u>
Net current (liabilities) assets	<u>(6,648)</u>	<u>18,066</u>	<u>22,799</u>	<u>24,128</u>

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The Group recorded net current liabilities of approximately HK\$6.6 million and net current assets of approximately HK\$18.1 million as of 31 March 2015 and 2016, respectively. This was mainly due to the decrease in current liabilities from approximately HK\$89.2 million as at 31 March 2015 to approximately HK\$64.2 million as at 31 March 2016, which was in turn primarily attributable to the reduction in bank borrowing from approximately HK\$35.5 million as at 31 March 2015 to approximately HK\$8.9 million as at 31 March 2016. The current assets were approximately HK\$82.5 million and approximately HK\$82.2 million as at 31 March 2015 and 31 March 2016 respectively.

The Group's net current liability position as at 31 March 2015 was mainly due to the outstanding bank borrowings and amount due to related parties, which amounted to approximately HK\$44.9 million. As at 31 March 2015, the outstanding bank borrowings amounted to approximately HK\$35.5 million. Other than used for financing the Group's daily operations, approximately HK\$7.7 million and HK\$6.1 million were used for mortgage loans of Eldex Properties and Gemstar Property, respectively. Upon completion of Business Transfers, these mortgage loans were not transferred to the Group and excluded from its financial statements. For details of the business transfers, please refer to the section headed "History, Reorganisation and Corporate Structure — Business and corporate development" in this prospectus. After excluding the mortgage loans, bank borrowings due within one year have been reduced, and the Group has a net current asset of approximately HK\$18.1 million as at 31 March 2016.

The Group's net current assets increased during the eight months ended 30 November 2016. The Group's net current assets position increased from approximately HK\$18.1 million as at 31 March 2016 to approximately HK\$22.8 million as at 30 November 2016, which was primarily as a result of (i) an increase in bank balances and cash of approximately HK\$26.8 million; and (ii) an increase in trade and bills receivables of approximately HK\$13.2 million. These amounts were partially offset by (i) an increase in trade and other payables of approximately HK\$20.8 million; and (ii) an increase in bank borrowing due within one year of approximately HK\$13.6 million.

Further discussion of the fluctuation in the key components of the Group's net current assets is set forth in the paragraphs below.

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INVENTORY ANALYSIS

The following table sets out the inventory balance by status as at the end of each of the Track Record Period:

	As at 31 March		As at 30 November
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Raw materials	14,950	9,562	5,240
Work in progress	20,004	4,681	14,775
	<u>34,954</u>	<u>14,243</u>	<u>20,015</u>

The Group's inventories consisted of raw materials and work in progress. The Group's major raw materials are yarn, which are mainly blended with different materials. Work in progress represented semi-finished products allocated to the third-party manufacturers which are currently under production. The Group's inventories decreased by approximately 59.4% or HK\$20.8 million, from approximately HK\$35.0 million as at 31 March 2015 to approximately HK\$14.2 million as at 31 March 2016, primarily because of (i) the continuous usage of the existing inventory stock; and (ii) the decrease in work in progress due to the increase in demand for the third party manufacturers to source and procure raw materials for production from the Group. Approximately 68.1% of the inventories as at 31 March 2016 were subsequently used or sold as at 30 November 2016. The inventory balance increased from HK\$14.2 million as at 31 March 2016 to HK\$20.0 million as at 30 November 2016. Due to the effect of seasonality, the Group generally recorded a relatively higher inventory balance in November than in March to cope with the peak season from August to January.

The following table sets out the average inventory turnover days for the Track Record Period:

	Year ended 31 March		Eight months ended 30 November
	2015	2016	2016
Average inventory turnover days	43	24	16

Note: The average inventory turnover days are calculated by dividing the average inventory by cost of sales for the year/period, multiplying by the number of days of the year/period (i.e. 365 days for the two years ended 31 March 2016 and 243 days for the eight months ended 30 November 2016).

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Ageing analysis of inventories and subsequent usage/sales

The following table set out the inventory aging by category:

	As at 31 March		As at 30 November 2016
	2015	2016	
	HK\$'000	HK\$'000	HK\$'000
Raw materials			
1–90 days	133	2,218	90
91–180 days	930	451	568
Over 180 days	13,887	6,893	4,582
	<u>14,950</u>	<u>9,562</u>	<u>5,240</u>
	As at 31 March		As at 30 November 2016
	2015	2016	
	HK\$'000	HK\$'000	HK\$'000
Work in progress			
1–90 days	19,763	4,598	14,730
91–180 days	241	83	45
Over 180 days	—	—	—
	<u>20,004</u>	<u>4,681</u>	<u>14,775</u>

The inventory level of raw materials aged within 180 days accounted for approximately HK\$1.1 million, HK\$2.7 million and HK\$0.7 million as at 31 March 2015, 31 March 2016 and 30 November 2016 respectively. The comparatively higher inventory level of raw materials as at 31 March 2016 was primarily attributable to the increase in purchase of raw materials in preparation for the increased sale orders confirmed by certain major customers.

The inventory level of raw materials aged over 180 days mainly comprised various types of yarn that are commonly used for production of knitwear products, materials for production of sample products and leftover materials. As at 31 March 2015, 31 March 2016 and 30 November 2016, the inventory level of raw materials aged over 180 days accounted for approximately HK\$13.9 million, HK\$6.9 million and HK\$4.6 million, respectively. The accumulation of such materials was primarily due to certain bulk purchases of raw materials were made by the Group in light of the relatively low market prices of those raw materials during the year ended 31 March 2015. As at 30 November 2016, approximately 51.3% of raw materials aged over 180 days as at 31 March 2016 were subsequently used. Based on the Directors' management experience in the apparel supply chain industry, it is not uncommon for the services providers to stock up the standard raw materials when the prices are low and this also reduces the risk of potential price increases in the

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market. It is the Group's strategy to attempt to, if necessary, stock up raw materials that are classic or commonly used when the prices decrease. Given (i) different types of raw materials can be blended to form a new blended yarn and therefore can be used for future production; and (ii) the Group will take into account, amongst others, the costs of different types of raw materials and customers' budget, to determine the prices of its apparel products, the Directors consider that the adoption of this stock-up policy is reasonable in the circumstances and would not have any material adverse impacts on the Group's profit margins. Moreover, given (i) the raw materials to be purchased by the Group are based on the anticipated orders from its customers; (ii) the stock up raw materials are standard materials which are commonly used in productions; (iii) the raw materials are durable in nature which are not considered to be easily worn out; and (iv) the Group adopts first-in-first-out bases in accounting for the Group's inventory, the Directors therefore do not consider that the Group will record any gain or loss in material aspect arising from the Group's inventory management policy.

The Group compares the carrying value of inventories with their respective costs and net realisable value at the end of each financial reporting period to ascertain whether any provision is required to be made. The amount of the loss, if any, is recognised in the cost of sales line item of the statement of profit or loss and other comprehensive income. Although some inventories were slow moving and aged over 180 days as aforementioned, the Directors considered that no provision were necessary because (i) the raw materials are durable in nature which are not considered to be easily worn out; (ii) different types of raw materials can be blended to form a new blended yarn and therefore can be used for production of the Group's products; and (iii) approximately 51.3% of raw materials aged over 180 days as at 31 March 2016 were subsequently used as at 30 November 2016 and the Directors expect that it will be subsequently used. Based on the above, the Group did not make any provisions for the inventories and did not record any impairment in inventories during the Track Record Period. For further information on the Group's inventory management policy, please refer to the section headed "Business — Inventory control" in this prospectus. As at 31 March 2017, approximately 78.8% of the Group's total inventory balances as at 30 November 2016 were subsequently used or sold.

TRADE AND BILLS RECEIVABLES ANALYSIS

The trade and bills receivables mainly represented receivables from customers of the Group's apparel supply chain management services. As at 31 March 2015, 31 March 2016 and 30 November 2016, the Group's trade and bills receivables amounted to approximately HK\$9.8 million, HK\$26.0 million and HK\$39.2 million, respectively.

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The ageing analysis of trade and bills receivables, based on the invoice date, as at the end of each of the Track Record Period is as follow:

	As at 31 March		As at 30 November
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
1 to 30 days	8,773	22,379	36,253
31 to 60 days	229	2,101	1,237
61 to 90 days	176	1,334	1,210
Over 90 days	621	142	543
	<u>9,799</u>	<u>25,956</u>	<u>39,243</u>

As at 31 March 2017, approximately 98.2% of the trade and bills receivables as at 30 November 2016 have been subsequently settled.

The Group normally requires the customers to settle in full upon the delivery of goods. For other customers, the Group generally grants a credit period of no longer than 90 days to its major customers based on factors such as years of business relationship with the customers and their reputation and payment history. The following table sets out the Group's trade and bills receivables turnover days during the Track Record Period:

	Year ended 31 March		Eight months ended 30 November
	2015	2016	2016
Trade receivables turnover days	8	15	25

The trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for each of the two years ended 31 March 2016 and 243 days for the eight months ended 30 November 2016). The Group's trade receivables turnover days were approximately 8 days, 15 days and 25 days for the two years ended 31 March 2016 and the eight months ended 30 November 2016 respectively, which were in line with the credit terms, i.e. letter of credit at sight, the Group usually offered to its customers.

During the Track Record Period, the Group did not experience any material payment defaults from its customers. No allowance for bad and doubtful debt was provided during the Track Record Period and no balance of provision for bad and doubtful debt has been recognised as at the end of each of the Track Record Period.

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OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

The following table sets out the other receivables, prepayment and deposits as at 31 March 2015, 31 March 2016 and 30 November 2016 respectively:

	As at 31 March		As at 30 November
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Prepayments to subcontractors/ suppliers	211	8,387	6,567
Utility deposits	232	181	138
Other receivables	893	435	890
Other prepayments (including deferred Listing expenses)	88	973	3,485
	<u>1,424</u>	<u>9,976</u>	<u>11,080</u>

The Group's other receivables, prepayments and deposits increased from approximately HK\$1.4 million as at 31 March 2015 to approximately HK\$10.0 million as at 31 March 2016. This was mainly attributable to (i) the increase in prepayments to subcontractors/suppliers from approximately HK\$0.2 million as at 31 March 2015 to approximately HK\$8.4 million as at 31 March 2016, as a result of the increase in prepayments for raw materials and the increase in purchase orders whereby the subcontractors required more deposits; and (ii) the increase in other prepayments from approximately HK\$0.1 million as at 31 March 2015 to approximately HK\$1.0 million as at 31 March 2016, which was mainly due to the increase in the deferred Listing expenses from nil as at 31 March 2015 to approximately HK\$0.9 million as at 31 March 2016.

The Group's other receivables, prepayments and deposits further increased from approximately HK\$10.0 million as at 31 March 2016 to approximately HK\$11.1 million as at 30 November 2016. This was mainly attributable to the increase in other prepayments from approximately HK\$1.0 million as at 31 March 2016 to approximately HK\$3.5 million as at 30 November 2016, which was mainly due to the increase in the deferred Listing expenses from approximately HK\$0.9 million as at 31 March 2016 to approximately HK\$2.9 million as at 30 November 2016.

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PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposit of the Group have been pledged to secure banking facilities granted to the Group. The pledged bank deposit carry fixed interest rates which range from 2.65% to 3.1%, at 0.3% and at 0.1% per annum as at 31 March 2015, 31 March 2016 and 30 November 2016, respectively. As at 31 March 2015, 31 March 2016 and 30 November 2016, the Group had bank balances and cash equivalent of approximately HK\$29.2 million, HK\$20.8 million and HK\$47.6 million, respectively. Bank balances carried interest at prevailing market rates ranging from 0.01% to 0.35%, 0.01% to 0.35% and 0.01% to 0.35% per annum as at 31 March 2015, 31 March 2016 and 30 November 2016, respectively.

During the Track Record Period, purchase with certain suppliers were paid by and sales proceeds from certain customers were collected in the PRC through one bank account opened under the name of Mr. Ng. Approximately HK\$833,000 and HK\$986,000 of this personal bank account was included in the cash and cash equivalents of the Group as at 31 March 2015 and 2016, respectively. The relevant individual personal bank account had been closed on 28 June 2016. For further details, please refer to the relevant section headed “Business — Risk management and internal control” in this prospectus.

TRADE AND OTHER PAYABLES ANALYSIS

The Group’s trade and other payables represent payables to the third-party manufacturers and raw material suppliers, accrued subcontracting charges, staff costs and expenses, deposits received and other payables. The following table sets out the trade and other payables as at the end of each of the Track Record Period:

	As at 31 March		As at 30 November
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Trade payables	40,619	28,419	48,984
Accrued subcontracting charges	2,779	11,790	5,534
Accrued staff costs	141	503	1,732
Accrued expenses	357	778	6,102
Deposits received	45	916	38
Other payables	—	2,590	3,377
	<u>43,941</u>	<u>44,996</u>	<u>65,767</u>

The trade and other payables increased by approximately HK\$1.1 million or approximately 2.5%, from approximately HK\$43.9 million as at 31 March 2015 to approximately HK\$45.0 million as at 31 March 2016. Such increase was mainly attributable to (i) an increase in accrued subcontracting charges of approximately HK\$9.0 million; (ii) an increase in other payables of approximately HK\$2.6 million; (iii) an increase in accrued staff costs and accrued expenses of

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approximately HK\$0.4 million and approximately HK\$0.4 million respectively; and partially offset by (iv) a decrease in trade payables of approximately HK\$12.2 million, due to the increase in purchase orders, whereby the subcontractors required more deposits to be paid by the Group.

The trade and other payables increased by approximately HK\$20.8 million or approximately 46.2%, from approximately HK\$45.0 million as at 31 March 2016 to approximately HK\$65.8 million as at 30 November 2016. Such increase was mainly attributable to the increase in trade payables of approximately HK\$20.6 million, due to the increase in production orders to the third-party manufacturers and purchase orders to the raw material suppliers during the peak season.

The credit period on purchase of goods ranged from 30 days to 45 days.

The ageing analysis of trade payables, based on the invoice date, as at the end of each of the Track Record Period is as follow:

	As at 31 March		As at 30 November
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
1 to 30 days	17,428	25,748	46,098
31 to 60 days	18,421	1,431	2,156
61 to 90 days	3,097	504	597
Over 90 days	1,673	736	133
	<u>40,619</u>	<u>28,419</u>	<u>48,984</u>

As at 31 March 2017, approximately 99.6% of the trade payables as at 30 November 2016 have been subsequently settled.

The following table sets out the Group's trade payables turnover days during the Track Record Period:

	Year ended 31 March		Eight months ended
	2015	2016	30 November 2016
Average trade payables turnover days	40	34	35

The trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of sales for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for each of the two years ended 31 March 2016 and 243 days for the eight months ended 30 November 2016). The Group's trade payables turnover days were approximately 40 days, 34 days and 35 days for the two years ended 31 March 2016 and the eight months ended 30 November 2016 respectively, which were in line with the usual credit period of 30 to 45 days generally allowed by the suppliers.

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AMOUNTS DUE FROM/TO RELATED PARTIES

The following table sets forth the amounts due from related parties during the Track Record Period:

	Maximum amount outstanding				
	As at 31 March		As at 30 November		during the eight months ended 30 November
	2015		2016		2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Speed Apparel	—	3,439	—	—	16,630
Firenze Apparel	—	1,790	—	—	17,035
	—	5,229	—	—	—

As at 31 March 2015, 31 March 2016 and 30 November 2016, amounts due from related parties amounted to nil, approximately HK\$5.2 million and nil, respectively. Such amounts represented the trade debt balances from customers of the Group received by Speed Apparel and Firenze Apparel on the Group's behalf for sales made prior to the Business Transfers on 1 February 2016. The sales invoices of the relevant sales were issued in the names of Speed Apparel or Firenze Apparel prior to the Business Transfers. The relevant debtors therefore settled the trade debts to the designated bank accounts of Speed Apparel or Firenze Apparel, and the amounts were not transferred to the Group upon the Business Transfers. Such trade debts collected by Speed Apparel or Firenze Apparel on the Group's behalf were transferred back to the Group within few business days upon receipts. The relevant cash flows of these collection of trade debts from the Group's customers were presented as operating cash flows in the consolidated statements of cash flows as the management considered the cash flows are, in substance, the receipts from trade customers. The amounts due from related parties were interest-free, unsecured and repayable on demand as at 31 March 2016. Such amounts due from related parties has subsequently been settled before the Listing.

The following table sets forth the amounts due to related parties during the Track Record Period:

	As at 31 March		As at
	2015	2016	30 November
	HK\$'000	HK\$'000	2016
Dream Knit Company Limited ("Dream Knit")	118	—	—
Mr. Chan	9,326	9,295	9,296
	9,444	9,295	9,296

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Dream Knit was a company incorporated in Hong Kong with limited liabilities on 12 October 2012. At the time of its incorporation, the entire issued share capital of Dream Knit was owned by Mr. Chan. Dream Knit had not carried out any business for the period ended 31 March 2013. On 7 June 2013, Mr. Chan transferred 5,000 shares of Dream Knit (representing 50% of the entire issued share of Dream Knit) to Mr. Ito Shunji (“Mr. Ito”), an Independent Third Party. After the completion of the aforesaid share transfer, the issued share capital of Dream Knit was owned as to 50% by Mr. Chan and 50% by Mr. Ito. As advised by Mr. Chan, Mr. Ito has over years of experience in and is familiar with the Japanese apparel market. Mr. Chan believed that by leveraging on Mr. Ito’s business network and experience in the Japanese apparel market, new customers and potential business opportunities would be brought along by Mr. Ito to the Group.

For each of the two years ended 31 March 2016, the Group’s sales to the new customers which were introduced by Dream Knit through the business network of Mr. Ito amounted to approximately HK\$8.7 million and HK\$2.4 million, respectively, while the Group paid the commission to Dream Knit for its services of approximately HK\$474,000 and HK\$153,000, respectively. According to the audited accounts prepared by the auditors of Dream Knit, Dream Knit recorded a revenue amounted to approximately HK\$627,000 for the period from 1 April 2014 to 31 August 2015. Owing to the fact that (i) those new customers subsequently dealt with the Group directly without going through Dream Knit; and (ii) as advised by Mr. Chan, Mr. Ito would like to devote more time to his other business and personal commitments, Mr. Ito transferred all of his shares in Dream Knit to Mr. Chan on 19 March 2015 and Dream Knit had ceased to operate its business from 31 August 2015. After the completion of the aforesaid share transfer and up to the date of its deregistration, Dream Knit was 100% controlled by Mr. Chan.

As at 31 March 2015, 31 March 2016 and 30 November 2016, the amounts due to Dream Knit amounted to approximately HK\$118,000, nil and nil, respectively. Such amounts was related to the commission paid to Dream Knit for its services such as exploring and referring further business opportunities in the Japan market to the Group. Dream Knit applied for the deregistration and Inland Revenue Department of Hong Kong had issued a no objection letter for the deregistration of Dream Knit on 15 January 2016. The amounts due to Dream Knit had been fully settled and Dream Knit was dissolved by deregistration on 3 June 2016. The Directors further confirm that Dream Knit has no material liabilities upon its deregistration and there was no potential claim and threatened litigation against Dream Knit as at the Latest Practicable Date.

As at 31 March 2015, 31 March 2016 and 30 November 2016, the amounts due to Mr. Chan amounted to approximately HK\$9.3 million, approximately HK\$9.3 million and approximately HK\$9.3 million, respectively. Such amounts due to Mr. Chan are non-trade related, unsecured, interest-free, repayable on demand and denominated in HK\$. The Directors confirmed that the outstanding balance of such amounts has been settled prior to the Listing.

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KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of the Group during the Track Record Period:

		For the year ended/As at 31 March		For the eight months ended/ As at 30 November
	Notes	2015	2016	2016
Return on total assets	1	8.3%	14.9%	3.8%
Return on equity	2	27.9%	64.4%	20.0%
Current ratio	3	0.9	1.3	1.2
Quick ratio	4	0.5	1.1	1.0
Gearing ratio	5	1.2	0.9	1.3
Net gearing ratio	6	0.2	—	—
Net profit margin	7	2.6%	2.9%	1.6%

Notes:

1. Return on total assets is calculated based on the profit for the year/period divided by the total assets as at the end of the year/period.
2. Return on equity is calculated based on the profit for the year/period divided by total equity at the end of the year/period.
3. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the respective reporting date.
4. Quick ratio is calculated based on the difference between the total current assets and inventories divided by the total current liabilities at the respective reporting date.
5. Gearing ratio is calculated based on the total loans and borrowings (including amounts due to related parties, bank borrowings due within one year and obligation under finance lease) divided by total equity at the respective reporting date.
6. Net gearing ratio is calculated based on the total loans and borrowings (including amounts due to related parties, bank borrowings due within one year and obligation under finance lease) less bank balances and cash and pledged bank deposit divided by total equity at the respective reporting date.
7. Net profit margin is calculated by the profit for the year/period divided by the revenue for the respective year/period.

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Key financial ratios

Return on total assets

The Group's return on total assets increased from approximately 8.3% in 2015 to approximately 14.9% in 2016. The increase in return on total assets from 2015 to 2016 was attributable to (i) the increase in profit from approximately HK\$10.5 million for the year ended 31 March 2015 to approximately HK\$12.5 million for the year ended 31 March 2016 which represented an increase of approximately 19.0%; and (ii) the decrease in total assets from approximately HK\$126.9 million as at 31 March 2015 to approximately HK\$83.6 million as at 31 March 2016. The increase in profit was primarily resulted from (i) the increase in revenue from approximately HK\$398.0 million to approximately HK\$435.2 million, which is in turn due to the increase in sales quantity of the knitwear products; and (ii) the decrease in selling and distribution expenses from HK\$26.5 million to HK\$22.5 million.

For the eight months ended 30 November 2016, the Group recorded return on total assets of approximately 3.8% primarily reflecting less profit recorded for such period and the Directors consider that eight months period financial results were not comparable to that of the full year.

Return on equity

The return on equity increased from approximately 27.9% in 2015 to approximately 64.4% in 2016. The increase in return on equity from 2015 to 2016 was attributable to (i) the decrease in equity from approximately HK\$37.7 million as at 31 March 2015 to approximately HK\$19.4 million as at 31 March 2016; and (ii) the increase in profit from approximately HK\$10.5 million for the year ended 31 March 2015 to approximately HK\$12.5 million for the year ended 31 March 2016 due to the aforementioned reasons.

For the eight months ended 30 November 2016, the Group recorded return on equity of approximately 20.0% primarily reflecting less profit recorded for such period as compared to a full year. The Directors consider that the eight months period financial results were not comparable to that of the full year.

Current ratio

The current ratio increased from approximately 0.9 times as at 31 March 2015 to approximately 1.3 times as at 31 March 2016. The increase was mainly attributable to the decrease in current liabilities from approximately HK\$89.2 million as at 31 March 2015 to approximately HK\$64.2 million as at 31 March 2016, which was in turn primarily resulted from the reduction in bank borrowing from approximately HK\$35.5 million as at 31 March 2015 to approximately HK\$8.9 million as at 31 March 2016. The Group recorded current assets of approximately HK\$82.5 million and approximately HK\$82.2 million as at 31 March 2015 and 2016 respectively.

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The Group's current ratio declined from approximately 1.3 as at 31 March 2016 to approximately 1.2 as at 30 November 2016. The slight decrease in current ratio was due to the proportionately larger increase in current liabilities than current assets, mainly as a result of the increase in bank borrowings due within one year for settlement of the prepayments for raw materials and subcontracting charges during the peak season.

Quick ratio

The Group's quick ratio increased from approximately 0.5 times as at 31 March 2015 to approximately 1.1 times as at 31 March 2016, which was mainly attributable to the decrease in inventory from approximately HK\$35.0 million as at 31 March 2015 to approximately HK\$14.2 million as at 31 March 2016 and the decrease in current liabilities from approximately HK\$89.2 million in the year ended 31 March 2015 to approximately HK\$64.2 million in the year ended 31 March 2016, while the current assets were at approximately HK\$82.5 million and approximately HK\$82.2 million as at 31 March 2015 and 2016 respectively.

The quick ratio declined from approximately 1.1 as at 31 March 2016 to approximately 1.0 as at 30 November 2016. The decrease in the quick ratio was in line with the current ratio as disclosed above.

Gearing ratio

The Group's gearing ratio was approximately 1.2 times and approximately 0.9 times as at 31 March 2015 and 31 March 2016, respectively. The decrease in gearing ratio was primarily attributable to the decrease in bank borrowings from approximately HK\$35.5 million as at 31 March 2015 to approximately HK\$8.9 million as at 31 March 2016, which was partially offset by the decrease in total equity from approximately HK\$37.7 million as at 31 March 2015 to approximately HK\$19.4 million as at 31 March 2016.

The Group recorded gearing ratio of approximately 1.3 as at 30 November 2016. The increase in gearing ratio from approximately 0.9 as at 31 March 2016 to approximately 1.3 as at 30 November 2016 was mainly due to the increase in bank borrowings due within one year of approximately HK\$13.6 million from 31 March 2016 to 30 November 2016, which was mainly due to more finance obtained from banks for settlement of the prepayments for raw materials and subcontracting charges during the peak season.

Net gearing ratio

The net gearing ratio was approximately 0.2 times and nil as at 31 March 2015 and 2016 respectively. Such decrease in net gearing ratio was mainly attributable to the decrease in bank borrowings from approximately HK\$35.5 million as at 31 March 2015 to approximately HK\$8.9 million as at 31 March 2016. As at 31 March 2016, the Group recorded net cash and therefore the net gearing ratio was nil.

As at 30 November 2016, the Group recorded net cash and therefore the net gearing ratio was nil.

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Net profit margin

For the year ended 31 March 2015 and 2016, the net profit margin was approximately 2.6% and 2.9%, respectively. The net profit margin slightly increased from approximately 2.6% in 2015 to approximately 2.9% in 2016, primarily because of the increase in gross profit coupled with the decrease in selling and distribution expenses.

The net profit margin for the eight months ended 30 November 2016 decreased to approximately 1.6% mainly due to expenses in relation to the Listing of approximately HK\$7.1 million was recorded for the eight months ended 30 November 2016 while only approximately HK\$3.2 million was recorded for the year ended 31 March 2016.

CAPITAL COMMITMENTS

As at 31 March 2015, 31 March 2016 and 30 November 2016, the Group had no material capital commitments.

OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 March		As at 30 November
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Within one year	—	1,200	1,200
In the second to fifth year inclusive	—	2,200	1,400
	—	3,400	2,600

Operating lease payments represent rental expense payable by the Group to a related entity controlled by Mr. Chan, as set forth in section (b) of note 24 to Section A of the Accountants' Report in Appendix I to this prospectus, for its office premises. Leases are negotiated for the next three years and rentals are fixed over the relevant lease.

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INDEBTEDNESS

The following table sets out the Group's bank borrowings, amount due to a shareholder and obligation under a finance lease as at the respective financial position dates below.

	As at 31 March		As at 30 November	As at 31 March
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)
Bank borrowings — secured and guaranteed	35,477	8,900	22,520	20,333
Amount due to a shareholder — unsecured and unguaranteed	9,326	9,295	9,296	—
Obligation under a finance lease — secured and guaranteed	—	—	538	500
	<u>44,803</u>	<u>18,195</u>	<u>32,354</u>	<u>20,833</u>

The Group's indebtedness consists of bank borrowings, amount due to a shareholder and obligation under a finance lease. The Group's indebtedness positions were at approximately HK\$44.8 million, HK\$18.2 million, HK\$32.4 million and HK\$20.8 million respectively as of 31 March 2015 and 2016, 30 November 2016 and 31 March 2017, and were used for financing the Group's daily operations. As at 31 March 2015, the bank borrowings amounted to approximately HK\$35.5 million. Other than used for financing the Group's daily operations, approximately HK\$7.7 million and HK\$6.1 million were used for mortgage loans of Eldex Properties and Gemstar Property, respectively.

As at 31 March 2017, the Group had a total unrestricted banking facilities of approximately HK\$92.0 million, of which approximately HK\$59.0 million were trust receipt loan and invoice financing loan, and the remaining HK\$33.0 million were revolving loan. Out of the total available HK\$92.0 million of the aforesaid banking facilities, the Group had utilised a total of HK\$12.3 million of trust receipt loan and invoice financing loan and HK\$8.0 million of revolving loan. The Group had an unrestricted unutilised banking facilities amounted for approximately HK\$71.7 million as at 31 March 2017.

As at 31 March 2017, the Group's bank borrowings and the relevant banking facilities are secured by (i) a property and car parking spaces held by an entity controlled by Mr. Chan, and (ii) a property held by Mr. Chan and Ms. Cheung. The Group's bank borrowings and the relevant banking facilities are guaranteed by corporate guarantees provided by Speed Apparel Limited and Firenze Apparel Limited, and personal guarantee provided by Mr. Chan. These guarantees and charges over assets will be released or replaced by the corporate guarantees executed by the Company upon the Listing.

As at 31 March 2017, the Group's another banking facility which is undrawn is secured by (i) a pledged bank deposit of the Group, and (ii) properties held by an entity controlled by Mr. Chan. Such banking facility is guaranteed by corporate guarantee provided by Speed Apparel Limited and personal guarantee provided by Mr. Chan. These guarantees and charges over assets (except for the pledged bank deposit of the Group) will be released or replaced by the corporate guarantees executed by the Company upon the Listing.

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The Group intends to repay any outstanding bank borrowings primarily by the internal resources generated from its operating activities. The Directors confirm that the Group has not experienced any difficulties in obtaining bank borrowings nor any default in repayment on bank borrowings during the Track Record Period and up to the Latest Practicable Date.

Bank borrowings

The status of the Group's bank borrowings as at the respective financial position dates is as follows:

	<u>As at 31 March</u>		<u>As at</u> 30 November	<u>As at</u> 31 March
	<u>2015</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Unaudited)</i>
Carrying amounts of bank borrowings based on scheduled repayment dates set out in the loan agreement:				
Within one year	24,834	8,900	22,520	20,333
More than one year, but not more than two years	3,212	—	—	—
More than two years, but not more than five years	7,044	—	—	—
More than five years	<u>387</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>35,477</u>	<u>8,900</u>	<u>22,520</u>	<u>20,333</u>

Analysed as:

Amounts due within one year shown under current liabilities and contain a repayment on demand clause	24,834	8,900	22,520	20,333
Amounts that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	<u>10,643</u>	<u>—</u>	<u>—</u>	<u>—</u>
	35,477	8,900	22,520	20,333
Less: amounts shown under current liabilities	<u>(35,477)</u>	<u>(8,900)</u>	<u>(22,520)</u>	<u>(20,333)</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

FINANCIAL INFORMATION

The entire balances of the Group's bank borrowings are secured, guaranteed and carried variable rate of interest. The floating-rate bank borrowings carry interests at premiums over or discounts to Hong Kong Interbank Offered Rate (“HIBOR”) or Prime Rates quoted by certain banks in Hong Kong. The effective interest rate on bank borrowings is ranging from 1.71% to 5.5% per annum, at 2.27% per annum, ranging from 2.08% to 2.61% per annum and ranging from 2.46% to 2.75% per annum as at 31 March 2015, 31 March 2016, 30 November 2016 and 31 March 2017, respectively.

Obligation under a finance lease

As at 31 March 2015 and 31 March 2016, the Group did not have any obligation under a finance lease.

As at 30 November 2016 and 31 March 2017, the Group had an obligation under a finance lease of approximately HK\$0.5 million and HK\$0.5 million, respectively. The Group's obligation under a finance lease was secured by the lessor's title to the leased asset and is personally guaranteed by Ms. Cheung.

Contingent liabilities

As at 31 March 2017, the Group did not have any significant contingent liabilities.

Disclaimer

The Directors confirmed that (i) the Group has not experienced any difficulty in obtaining bank borrowing or any default in payment on bank borrowings or any breach of finance covenants during the Track Record Period and up to the Latest Practicable Date; (ii) there has not been any material change in the Group's indebtedness and contingent liabilities since 31 March 2017 and up to the Latest Practicable Date; (iii) the Directors are not aware of any material defaults in payment of the Group's trade and non-trade payables and bank borrowings during the Track Record Period and up to the Latest Practicable Date; (iv) the bank loans and bank facility is subject to standard banking conditions and not subject to fulfillment of covenants relating to the financial ratio requirements or any other material covenants which could adversely affect the Group's ability to undertake additional debt on equity financings; and (v) the Group has not received any notice from banks indicating that they might withdraw or downsize the bank loans or bank facilities and none of the Group's bank borrowings are subject to the fulfillment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect the Group's ability to undertake additional debt or equity financings.

Save as disclosed above, the Group did not have, at the close of business on 31 March 2017, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or any material contingent liabilities.

FINANCIAL INFORMATION

LISTING EXPENSES

The Group expects that its total Listing expenses, which is non-recurring in nature, will be amounted to approximately HK\$25.6 million. Out of the total HK\$25.6 million in Listing expenses, the Group has recorded approximately HK\$3.2 million as expense in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 March 2016 and approximately HK\$7.1 million for the eight months ended 30 November 2016. The Group expects to further recognise approximately HK\$4.0 million for the remaining four months of the year ended 31 March 2017 and approximately HK\$1.5 million for the year ending 31 March 2018. For the remaining balance of approximately HK\$9.8 million, which is directly attributable to the issue of the Offer Shares is expected to be accounted for as a deduction from equity upon Listing. Accordingly, the financial results of the Group for the year ended 31 March 2017 and the year ending 31 March 2018 will be significantly be affected by the estimated expenses in relation to the Listing, respectively. Such amount of Listing expenses are for reference only and the final amount to be charged to the profit and loss account of the Group for the year ended 31 March 2017 and the year ending 31 March 2018 and the amount to be deducted from the Group's capital is subject to change.

NO MATERIAL ADVERSE CHANGE

Save as the Listing expenses, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group since 30 November 2016 (being the date to which the latest audited consolidated financial statements of the Group were prepared), and there is no event since 30 November 2016 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

WORKING CAPITAL

The Directors are of the opinion that, taking into consideration the Group's internal resources generated from the Group's business operation, available banking facilities and other source of finance, and the estimated net proceeds from the Share Offer, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this prospectus.

DISTRIBUTABLE RESERVES

The Company was incorporated on 19 November 2015. As at 30 November 2016, the Company had no distributable reserves available for distribution to the Shareholders.

RELATED PARTY TRANSACTIONS

Please refer to the paragraph headed "Related party transactions" in section (b) of note 24 to Section A of the Accountants' Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which comprise market risk (mainly currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain trade and bills receivables, other receivables, amounts due from/to related parties, pledged bank deposit, bank balances and cash, trade and other payables, bank borrowings and obligation under a finance lease of the Group and the Company and amounts due to subsidiaries of the Company are denominated in foreign currency of the respective group entities which are exposed to foreign currency risk.

The Group and the Company currently do not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

	<u>As at 31 March</u>		<u>As at</u>
	<u>2015</u>	<u>2016</u>	<u>30 November</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
			<i>HK\$'000</i>
Assets			
HK\$	22,747	27,224	38,404
RMB	<u>10,034</u>	<u>5,160</u>	<u>5,655</u>
Liabilities			
HK\$	56,621	27,434	36,204
RMB	<u>370</u>	<u>—</u>	<u>11,058</u>

Since HK\$ is pegged to US\$, the risk of volatility between US\$ and HK\$ is limited and the Directors consider that the risk is minimal. Accordingly, no sensitivity analysis for the currency risk of HK\$ is presented.

Sensitivity analysis

The Group is exposed to foreign currency risk on fluctuation of RMB during the Track Record Period.

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The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US\$ as at 31 March 2015, 31 March 2016 and 30 November 2016. The percentage of the sensitivity rate used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year/period end for a 5% change in foreign currency rates as at 31 March 2015, 31 March 2016 and 30 November 2016. A positive number below indicates an increase in post-tax profit/a decrease in post-tax loss where RMB strengthens 5% against US\$ for each of the years ended 31 March 2015 and 31 March 2016 and the eight months ended 30 November 2016. For a 5% weakening of RMB against US\$, there would be an equal and opposite impact on post-tax profit or loss.

	As at 31 March		Eight months ended
	2015	2016	30 November 2016
	HK\$'000	HK\$'000	HK\$'000
Impact on post-tax profit or loss of the Group	403	215	(226)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its pledged bank deposit and obligation under a finance lease. The Group and the Company are also exposed to cash flow interest rate risk in relation to floating-rate bank balances and bank borrowings at variable interest rates. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of the HIBOR, the Best Lending Rate and the Prime Rates quoted by certain banks in Hong Kong.

The Group's and the Company's exposures to interest rates on financial liabilities are detailed in the paragraph headed "Liquidity risk" below.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the interest-bearing financial assets and financial liabilities outstanding at the end of each reporting period were outstanding for the whole year/period. A 100 basis points and 10 basis points increase or decrease in the floating-rate interest bearing financial liabilities and financial assets respectively, are used and represent management's assessment of the reasonably possible change in interest rates for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016.

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If interest rates on floating-rate interest-bearing financial liabilities had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 March 2015 and 31 March 2016 and the eight months ended 30 November 2016 would decrease/increase by HK\$296,000, HK\$74,000 and HK\$125,000.

For the floating-rate interest-bearing financial assets, based on the sensitivity analysis, the directors of the Company consider that the impact on post-tax profit or loss from changes in interest rates is significant for the Track Record Period.

Credit risk

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the statements of financial position of the Group.

The Group's credit risk is primarily attributable to its trade and bills receivables and amounts due from related parties. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk on its pledged bank deposit and bank balance as the entire balances as at 31 March 2015, 31 March 2016 and 30 November 2016 are deposited with three banks. The credit risk of the Group on pledged bank deposit and bank balances is limited because the counterparties are banks with good reputation.

As at 31 March 2015, 31 March 2016 and 30 November 2016, the Group had concentration of credit risk as 53%, 56% and 44%, respectively, of the total trade receivables and bills receivables was due from the Group's largest customer. The Group's concentration of credit risk on the top five largest customers accounted for 93%, 91% and 74% of the total trade receivables and bills receivables as at 31 March 2015, 31 March 2016 and 30 November 2016, respectively. The Group normally grants a credit term of no longer than 90 days to these customers. All of these counterparties are either owners or sourcing agents of apparel retail brands based in Japan arising from the Group's trading of garment business. The management of the Group considered that the credit risk on amounts due from these customers is insignificant after considering their historical settlement records, credit qualities and financial positions of the counterparties.

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Liquidity risk

In management of the liquidity risk, the Group and the Company monitor and maintain levels of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date, on which the Group and the Company can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

Liquidity tables

As at 31 March 2015

The Group

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	Over 3 months but not more than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 March 2015
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities							
Trade payables	N/A	—	40,619	—	—	40,619	40,619
Amounts due to related parties	N/A	9,444	—	—	—	9,444	9,444
Bank borrowings — variable rate	3.48	35,477	—	—	—	35,477	35,477
		44,921	40,619	—	—	85,540	85,540

As at 31 March 2016

The Group

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	Over 3 months but not more than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 March 2016
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities							
Trade and other payables	N/A	2,590	28,419	—	—	31,009	31,009
Amount due to a related party	N/A	9,295	—	—	—	9,295	9,295
Bank borrowings — variable rate	2.27	8,900	—	—	—	8,900	8,900
		20,785	28,419	—	—	49,204	49,204

FINANCIAL INFORMATION

As at 30 November 2016

The Group

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	Over 3 months but not more than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 30 November 2016
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities							
Trade and other payables	N/A	3,377	48,984	—	—	52,361	52,361
Amount due to a related party	N/A	9,296	—	—	—	9,296	9,296
Bank borrowings — variable rate	2.42	22,520	—	—	—	22,520	22,520
Obligation under a finance lease	1.99	11	23	104	458	596	538
		<u>35,204</u>	<u>49,007</u>	<u>104</u>	<u>458</u>	<u>84,773</u>	<u>84,715</u>

As at 31 March 2016

The Company

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	Over 3 months but not more than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 March 2016
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities							
Other payable	N/A	1	—	—	—	1	1
Amounts due to subsidiaries	N/A	4,175	—	—	—	4,175	4,175
		<u>4,176</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,176</u>	<u>4,176</u>

As at 30 November 2016

The Company

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	Over 3 months but not more than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 30 November 2016
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liability							
Amounts due to subsidiaries	N/A	<u>9,850</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,850</u>	<u>9,850</u>

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Bank borrowings with a repayment on demand clause are included in the “repayable on demand” time band in the above maturity analysis. As at 31 March 2015, 31 March 2016 and 30 November 2016, the aggregate carrying amounts of these bank borrowings were HK\$35,477,000, HK\$8,900,000 and HK\$22,520,000, respectively.

Taking into account the Group’s financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$36,344,000, HK\$8,967,000 and HK\$22,594,000 as at 31 March 2015, 31 March 2016 and 30 November 2016, respectively, as set out below:

As at 31 March 2015

	Weighted average interest rate	Repayable on demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years	Total undiscounted cash flow	Carrying amount at 31 March 2015
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings								
— variable rate	3.48	<u>22,054</u>	<u>567</u>	<u>2,551</u>	<u>10,791</u>	<u>381</u>	<u>36,344</u>	<u>35,477</u>

As at 31 March 2016

	Weighted average interest rate	Repayable on demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years	Total undiscounted cash flow	Carrying amount at 31 March 2016
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings								
— variable rate	2.27	<u>17</u>	<u>34</u>	<u>8,916</u>	<u>—</u>	<u>—</u>	<u>8,967</u>	<u>8,900</u>

As at 30 November 2016

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 30 November 2016
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings								
— variable rate	2.42	<u>8,046</u>	<u>14,548</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>22,594</u>	<u>22,520</u>

The amounts included above for variable rate instruments for non-derivative financial liabilities are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

FINANCIAL INFORMATION

DIVIDENDS

Firenze Apparel distributed interim dividends amounting to HK\$7.0 million for the year ended 31 March 2015 to Mr. Chan prior to the Reorganisation. Other than the above, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period or by the Company since its incorporation.

The Company currently does not have a fixed dividend policy and may declare dividends by way of cash or by other means that the Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of the Board and depend upon the following factors:

- the Group's financial results;
- the Group's shareholders' interests;
- general business conditions, strategies and future expansion needs;
- the Group's capital requirements;
- the payment by its subsidiaries of cash dividends to the Company;
- possible effects on liquidity and financial position of the Group; and
- other factors as the Board may consider relevant.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which could give rise to a disclosure obligation pursuant to Rules 17.15 to 17.21 of the GEM Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Share Offer on the audited consolidated net tangible assets of the Group as if the Share Offer had taken place on 30 November 2016.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 November 2016 or at any future dates following the Share Offer.

FINANCIAL INFORMATION

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 November 2016 is prepared based on the audited consolidated net assets of the Group as at 30 November 2016 as shown in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group as at 30 November 2016	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share
	<i>HK\$'000 (Note 1)</i>	<i>HK\$'000 (Note 2)</i>	<i>HK\$'000</i>	<i>HK\$ (Note 3)</i>
Based on Offer Price of				
HK\$0.40 per Offer Share	24,130	35,882	60,012	0.12
Based on Offer Price of				
HK\$0.64 per Offer Share	<u>24,130</u>	<u>63,482</u>	<u>87,612</u>	<u>0.18</u>

Notes:

1. The audited consolidated net tangible assets of the Group as at 30 November 2016 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 125,000,000 Offer Shares to be issued at Offer Price of HK\$0.40 and HK\$0.64 per Offer Share, being the low-end and high-end of the indicated Offer Price range, respectively after deduction of the estimated underwriting fees and other Share Offer related expense (excluding approximately HK\$10,262,000 listing expenses accounted for prior to 30 November 2016) incurred or to be incurred by the Group. It does not take into account any shares which may be issued or repurchased by the Company pursuant to the "Share Option Scheme", "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" detailed under the section headed "Share Capital" in this prospectus, as applicable.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 November 2016 per Share is arrived at after adjustments referred to in the preceding paragraph and on the basis of 500,000,000 shares, of which 125,000,000 Offer Shares were in issue by assuming that the Share Offer and the Capitalisation Issue had been completed on 30 November 2016. It does not take into account any shares which may be issued or repurchased by the Company pursuant to the "Share Option Scheme" or "General mandate to issue Shares" or "General mandate to repurchase Shares" with details set out under the section headed "Share capital" in this prospectus, as the case may be.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as of 30 November 2016 to reflect any trading result or other transactions of the Group entered into subsequent to 30 November 2016.

FINANCIAL INFORMATION

PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2017

Estimated consolidated profit attributable to owner of
the Company (*Note 1*) not less than HK\$5.4 million

Unaudited pro forma estimated earnings per Share
for the year ended 31 March 2017 (*Note 2*)..... not less than HK\$0.01

Notes:

1. The bases on which the above profit estimate has been prepared are summarised in Appendix III to this prospectus. The Directors have prepared the estimated consolidated profit attributable to owner of the Company for the year ended 31 March 2017 based on the audited consolidated results of the Group for the eight months ended 30 November 2016, the unaudited consolidated results based on management accounts of the Group for three months ended 28 February 2017 and an estimate of the consolidated results of the Group for the remaining one month ended 31 March 2017.
2. The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owner of the Company for the year ended 31 March 2017 and on the assumption that a total of 500,000,000 shares, of which 125,000,000 Offer Shares were in issue by assuming that the Share Offer and the Capitalisation Issue had been completed on 1 April 2016, without taking into account any shares which may be issued or repurchased by the Company pursuant to the “Share Option Scheme”, “General Mandate to Issue Shares” or “General Mandate to Repurchase Shares” detailed under the section headed “Share Capital” in this prospectus, as applicable.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section headed “Business — Business strategies” in this prospectus for the Group’s business objectives and strategies.

IMPLEMENTATION PLANS

In order to implement the business objectives and strategies as described above, set forth below are the implementation plans of the Group for each of the six-month periods from the Latest Practicable Date until 31 March 2020. It should be noted that the implementation plans are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” below. These bases and assumptions are subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk factors” in this prospectus. The Group’s actual course of business may vary from the business objective set out in this prospectus. There can be no assurance that the plans of the Group will materialise in accordance with the expected time frame or that the objective of the Group will be accomplished at all.

	Use of proceeds	From the Latest Practicable Date to 30 September 2017
Strengthening and diversifying the Group’s customer base	HK\$0.5 million	● Arrange sales visits and co-organise private exhibitions to explore new business opportunities
	HK\$0.15 million	● Visit, make presentations to, and develop relationships with potential customers
	HK\$0.15 million	● Participate in more trade fairs and fashion shows to increase the market presence of the Group
Further expanding the Group’s product variety to cater for the customers’ need	HK\$0.4 million	● Set up a new design team and recruit up to 3 designers and relevant staff focusing on cut-and-sewn knitwear and seamless knitwear
	HK\$1.2 million	● Purchase the computer graphic design system to support the product design and development

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

	Use of proceeds	From the Latest Practicable Date to 30 September 2017
Enhancing the Group's design and development capabilities	HK\$0.3 million	<ul style="list-style-type: none"> Sponsor the designers and other relevant staff to attend trade fairs and fashion shows to enhance their understanding of latest fashion trend and industry know-how
	HK\$0.2 million	<ul style="list-style-type: none"> Upgrade various computer software to improve the design efficiency
Enhancing the Group's inventory management to strengthen operational efficiency	HK\$2.5 million	<ul style="list-style-type: none"> Purchase and maintain certain levels of raw materials in preparation for additional and increasing orders from customers
	Use of proceeds	For the six months ending 31 March 2018
Strengthening and diversifying the Group's customer base	HK\$0.5 million	<ul style="list-style-type: none"> Arrange sales visits and co-organise private exhibitions to explore new business opportunities
	HK\$0.15 million	<ul style="list-style-type: none"> Visit, make presentations to, and develop relationships with potential customers
	HK\$0.15 million	<ul style="list-style-type: none"> Continue to participate in more trade fairs and fashion shows to increase the market presence of the Group
Further expanding the Group's product variety to cater for the customers' need	HK\$0.6 million	<ul style="list-style-type: none"> Conduct market and design search on the trend and production techniques of cut-and-sewn knitwear and seamless knitwear
	HK\$0.7 million	<ul style="list-style-type: none"> Continue to develop and create more promotion samples for presentation to existing and potential customers

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

	Use of proceeds	For the six months ending 31 March 2018
Enhancing the Group's design and development capabilities	HK\$1.85 million	<ul style="list-style-type: none"> Open a new office and a showroom for expansion of the Group's design team and account servicing team in Japan
	HK\$0.82 million	<ul style="list-style-type: none"> Recruit up to about 3 designers and 2 accounting servicing staff to strength the Group's design and business development capabilities
	HK\$0.1 million	<ul style="list-style-type: none"> Sponsor the designers and other relevant staff to attend trade fairs and fashion shows to enhance their understanding of latest fashion trend and industry know-how
	HK\$0.05 million	<ul style="list-style-type: none"> Upgrade various computer software to improve the design efficiency
	HK\$0.3 million	<ul style="list-style-type: none"> Purchase a colour matching machine to strengthen the quality control efficiency
Enhancing the Group's inventory management to strengthen operational efficiency	HK\$2.48 million	<ul style="list-style-type: none"> Purchase and maintain certain levels of raw materials in preparation for additional and increasing orders from customers
	Use of proceeds	For the six months ending 30 September 2018
Strengthening and diversifying the Group's customer base	HK\$0.6 million	<ul style="list-style-type: none"> Arrange sales visits and co-organise private exhibitions to explore new business opportunities
	HK\$0.15 million	<ul style="list-style-type: none"> Visit, make presentation to, and develop relationships with potential customers

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

	Use of proceeds	For the six months ending 30 September 2018
	HK\$0.15 million	<ul style="list-style-type: none"> Continue to participate in more trade fairs and fashion shows to increase the market presence of the Group
Further expanding the Group's product variety to cater to the customers' need	HK\$1.0 million	<ul style="list-style-type: none"> Continue to develop and create more promotion samples for presentation to existing and potential customers
	HK\$0.6 million	<ul style="list-style-type: none"> Arrange sales visits to customers to make presentation on the seamless knitwear and cut-and-sewn knitwear
Enhancing the Group's design and development capabilities	HK\$0.9 million	<ul style="list-style-type: none"> Sponsor the designers and other relevant staff to attend trade fairs and fashion shows to enhance their understanding of latest fashion trend and industry know-how
	HK\$0.25 million	<ul style="list-style-type: none"> Continue to upgrade various computer software to improve the design efficiency
Enhancing the Group's inventory management to strengthen operational efficiency	HK\$2.1 million	<ul style="list-style-type: none"> Purchase and maintain certain levels of raw materials in preparation for additional and increasing orders from customers
	HK\$0.5 million	<ul style="list-style-type: none"> Purchase an inventory management system to strengthen the Group's operational efficiency
	Use of proceeds	For the six months ending 31 March 2019
Strengthening and diversifying the Group's customer base	HK\$0.65 million	<ul style="list-style-type: none"> Arrange sales visits and co-organise private exhibitions to explore new business opportunities

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

		For the six months ending 31 March 2019
	Use of proceeds	
	HK\$0.15 million	<ul style="list-style-type: none"> Visit, make presentation to, and develop relationships with potential customers
	HK\$0.15 million	<ul style="list-style-type: none"> Continue to participate in more trade fairs and fashion shows to increase the market presence of the Group
Further expanding the Group's product variety to cater for the customers' need	HK\$1.6 million	<ul style="list-style-type: none"> Continue to develop and create more promotion samples for presentation to existing and potential customers
	HK\$1.2 million	<ul style="list-style-type: none"> Purchase the computer graphic design system to support the product design and development
Enhancing the Group's design and development capabilities	HK\$0.8 million	<ul style="list-style-type: none"> Sponsor the designers and other relevant staff to attend trade fairs and fashion shows to enhance their understanding of latest fashion trend and industry know-how
	HK\$0.25 million	<ul style="list-style-type: none"> Continue to upgrade various computer software to improve the design efficiency
Enhancing the Group's inventory management to strengthen operational efficiency	HK\$2.8 million	<ul style="list-style-type: none"> Purchase and maintain certain levels of raw materials in preparation for additional and increasing orders from customers
		For the six months ending 30 September 2019
	Use of proceeds	
Strengthening and diversifying the Group's customer base	HK\$0.6 million	<ul style="list-style-type: none"> Arrange sales visits and co-organise private exhibitions to explore new business opportunities

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

	Use of proceeds	For the six months ending 30 September 2019
	HK\$0.15 million	<ul style="list-style-type: none"> Visit, make presentation to, and develop relationships with potential customers
	HK\$0.15 million	<ul style="list-style-type: none"> Continue to participate in more trade fairs and fashion shows to increase the market presence of the Group
Further expanding the Group's product variety to cater to the customers' need	HK\$1.6 million	<ul style="list-style-type: none"> Continue to develop and create more promotion samples for presentation to existing and potential customers
Enhancing the Group's design and development capabilities	HK\$0.7 million	<ul style="list-style-type: none"> Sponsor the designers and other relevant staff to attend trade fairs and fashion shows to enhance their understanding of latest fashion trend and industry know-how
	HK\$0.25 million	<ul style="list-style-type: none"> Continue to upgrade various computer software to improve the design efficiency
Enhancing the Group's inventory management to strengthen operational efficiency	HK\$3.0 million	<ul style="list-style-type: none"> Purchase and maintain certain levels of raw materials in preparation for additional and increasing orders from customers
	Use of proceeds	For the six months ending 31 March 2020
Strengthening and diversifying the Group's customer base	HK\$0.65 million	<ul style="list-style-type: none"> Arrange sales visits to existing customers to keep pace with the changes in consumer preferences
	HK\$0.15 million	<ul style="list-style-type: none"> Visit, make presentation to, and develop relationship with potential customers

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

	Use of proceeds	For the six months ending 31 March 2020
	HK\$0.15 million	<ul style="list-style-type: none"> Continue to participate in more trade fairs and fashion shows to increase the market presence of the Group
Further expanding the Group's product variety to cater for the customers' need	HK\$1.65 million	<ul style="list-style-type: none"> Continue to develop and create more promotion samples for presentation to existing and potential customers
Enhancing the Group's design and development capabilities	HK\$1.0 million	<ul style="list-style-type: none"> Sponsor the designers and other relevant staff to attend trade fairs and fashion shows to enhance their understanding of latest fashion trend and industry know-how
	HK\$0.2 million	<ul style="list-style-type: none"> Continue to upgrade various computer software to improve the design efficiency
Enhancing the Group's inventory management to strengthen operational efficiency	HK\$2.2 million	<ul style="list-style-type: none"> Purchase and maintain certain level of raw materials in preparation for additional and increasing orders from customers

BASES AND ASSUMPTIONS

The Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 March 2020.

- (a) there will be no material changes in the existing laws and regulations, or other governmental policies relating to the Group; or in the political, economic or market conditions in which the Group operates;
- (b) there will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of the Group operates or will operate or is incorporated;
- (c) the Share Offer will be completed in accordance with and as described in the section headed "Structure and conditions of the Share Offer" in this prospectus;
- (d) the Group is able to retain its customers and suppliers;

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- (e) the Group will be able to retain key staff in the management and the main operational departments;
- (f) the Group will not be materially affected by any risk factors set out in the section headed “Risk factors” in this prospectus; and
- (g) the Group will be able to continue its operations in substantially the same manner as the Group has been operating during the Track Record Period and the Group will be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way.

REASONS FOR THE SHARE OFFER

The Directors believe that the commercial rationale of the Listing is as follow:

- **Potential growth in Japan apparel market provides the justification for expansion by the Group and its business strategies**

According to Euromonitor Report, the Japan apparel retail market experienced stagnant growth from 2011 to 2015 because of the sustained economic downturn in Japan that caused a drop in disposable income. As a result, the consumption pattern in Japan apparel retail market has gradually shifted to the local apparel brands and other imported fast fashion brands with affordable price. Since the Group’s knitwear products were mainly supplied to those low and middle priced fashion brands, the Directors consider that the stagnant growth in Japan apparel retail industry did not have any material impact on the Group’s business as evidenced by the increases in the Group’s revenue, sales volume and number of brands supplied by the Group during the Track Record Period. The Directors believe that, through various marketing activities, the Group will be able to solicit new customers as well as new fashion brands, which will in turn drive the growth of the Group’s business.

Furthermore, according to Euromonitor Report, the apparel retail market in Japan is expected to recover due to growing popularity of internet apparel retailing, increasing inbound tourism and changing consumer pattern. The retail sale value of apparel in Japan is expected to grow at CARG of approximately 3.4% from 2016 to 2020. The Directors believe that such projected growth in the Japan apparel retail market will boost the demand for knitwear from both existing and potential customers, which will, in turn, bring more business opportunities to the Group. This therefore justifies the intention of the Directors to expand its operation scale and increase the market presence in the industry by implementation of its business plan so that the Group will be able to grasp new opportunities that lie ahead.

In view of the foregoing, the Directors believe that there are vast opportunities for the Group to grow which justifies the Group’s business strategies and implementation plans.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- **Strengthen the Group's financial position to capture more business opportunities**

During the Track Record, the Group has been able to maintain trade and bills receivables turnover days of approximately 8 days and 15 days for the two years ended 31 March 2016, respectively. However, the Group recorded net current liabilities of approximately HK\$6.6 million as at 31 March 2015 and net current assets of approximately HK\$18.1 million as at 31 March 2016. Net current liabilities position of the Group as at 31 March 2015 was primarily due to the outstanding bank loan balance of approximately HK\$35.5 million and amounts due to related parties of approximately HK\$9.4 million which were used for financing the Group's daily operations. The Directors consider that liquidity and cash flow are important to the Group since there are often time lags between making payments to the suppliers and receiving payments from the customers. In deciding whether to take up the purchase orders in bulk quantities, the Group would consider, among other things, the stock-up inventory level, the availability of raw materials and the amount of available working capital. The Directors believe that the raising capital in the equity market through the Listing would strengthen the Group's liquidity and cash flow thereby allowing the Group to undertake more sales orders of sizable scale for expansion of its business.

- **Successful Listing would facilitate the implementation of the Group's business strategies by accessing the capital market for raising funds both at the time of the Listing and at later stages when opportunities arise**

During the Track Record Period, the Group mainly utilised its banking facilities and internal resources for its business operations. As at 31 March 2017, the Group's cash and bank balances was approximately HK\$38.5 million and the Group had a total unrestricted banking facilities of approximately HK\$92.0 million, of which approximately HK\$59.0 million were trust receipt loan and invoice financing loan, and the remaining HK\$33.0 million were revolving loan. Out of the total available HK\$92.0 million of the aforesaid banking facilities, the Group had utilised a total of HK\$12.3 million of trust receipt loan and invoice financing loan and HK\$8.0 million of revolving loan. The Group had an unrestricted unutilised banking facilities approximately HK\$71.7 million as at 31 March 2017. Nevertheless, the Directors consider that debt financing is not desirable as the fund is repayable and not permanent in nature and the interest expenses would impose additional cash flow burden to the Group and further increase the gearing level of the Group. The Directors consider that while the Group maintains a healthy cash level to support its existing operations, the net proceeds from the Share Offer are necessary for the implementation of the Group's business plans which requires considerable additional financial resources. Furthermore, the Directors believe that the listing of the Shares on GEM would provide a platform for the Group to access the capital market for future secondary fund raising through the issuance of shares and for debt securities to fund its further expansion and long-term development needs, which could involve lower financing cost as opposed to interest-bearing bank loans and enhance the ability to obtain favourable terms of bank financing with a listed entity as compared to a private entity.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- **Other commercial benefits arising from a public listing status**

The Directors believe that a public listing status on GEM will enhance the Group's corporate profile and its credibility with the public and its business partners which in turn will increase the Group's bargaining power in negotiating terms with potential customers and suppliers. It will also offer the Company a broader shareholder base which could potentially lead to a more liquid market in the trading of the Shares as compared to the limited liquidity of the Shares that are private held before the Listing. Furthermore, the Directors believe that the Group's internal control and corporate governance practices could be further enhanced following the Listing, which will in turn increase the confidence of its customers and suppliers on the Group.

USE OF PROCEEDS

As set out in the section headed "Business — Business strategies", the Group plans to implement the following strategies (i) strengthening and diversifying the Group's customer base; (ii) further expanding the Group's product variety to cater for the customers' need; (iii) enhancing the Group's design and development capabilities; and (iv) enhancing the Group's inventory management to strengthen operational efficiency.

The net proceeds from the Share Offer, after deducting the related expenses, are estimated to be approximately HK\$39.4 million (based on the Offer Price of HK\$0.52 per Offer Share, being the mid-point of the indicative Offer Price range). The Directors intend that the net proceeds will be applied as follows:

- approximately 13.5% of the net proceeds, or approximately HK\$5.3 million, for strengthening and diversifying the Group's customers base;
- approximately 26.8% of the net proceeds, or approximately HK\$10.55 million, for further expanding the Group's product mix to cater to the customers' need;
- approximately 20.2% of the net proceeds, or approximately HK\$7.97 million, for enhancing the Group's design and development capabilities; and
- approximately 39.5% of the net proceeds, or approximately HK\$15.58 million, for enhancing the Group's inventory management to strengthen operational efficiency.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

In summary, the implementation of the Group's business objectives and strategies from the Latest Practicable Date to 31 March 2020 will be funded by the net proceeds from the Share Offer (based on the Offer Price of HK\$0.52 per Offer Share, being the mid-point of the indicative Offer Price range) as follows:

	From the Latest Practicable Date to	For the six months ending					Total
	30 September 2017	31 March 2018	30 September 2018	31 March 2019	30 September 2019	31 March 2020	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Strengthening and diversifying the Group's customers base	0.80	0.80	0.90	0.95	0.90	0.95	5.30
Further expanding the Group's product mix to cater to the customers' need	1.60	1.30	1.60	2.80	1.60	1.65	10.55
Enhancing the Group's design and development capabilities	0.50	3.12	1.15	1.05	0.95	1.20	7.97
Enhancing the Group's inventory management to strengthen operational efficiency	2.50	2.48	2.60	2.80	3.00	2.20	15.58
	5.40	7.70	6.25	7.60	6.45	6.00	39.40

In the event that the final Offer Price is set at the high-end or the low-end of the proposed Offer Price range, namely HK\$0.64 and HK\$0.40 per Offer Share, the net proceeds of the Share Offer will increase or decrease by approximately HK\$13.8 million and HK\$13.8 million, respectively. In the event that the Offer Price is set at a higher or lower level compared to the mid-point of the Offer Price range, the above allocation of the net proceeds from the Share Offer will be adjusted on a pro-rata basis.

The Directors consider that the net proceeds from the Share Offer and the Group's internal resources and the existing bank financing available to the Group will be sufficient to finance the Group's business plans up to the year ending 31 March 2020.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds be placed in short-term interest bearing deposit accounts held with authorised financial institutions.

UNDERWRITING

UNDERWRITERS

Bookrunner

Great Roc Capital Securities Limited

Joint Lead Managers

Founder Securities (Hong Kong) Limited

RHB Securities Hong Kong Limited

Quam Securities Company Limited

Public Offer Underwriters

Great Roc Capital Securities Limited

Founder Securities (Hong Kong) Limited

RHB Securities Hong Kong Limited

Quam Securities Company Limited

Placing Underwriters

Great Roc Capital Securities Limited

Founder Securities (Hong Kong) Limited

RHB Securities Hong Kong Limited

Quam Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, the Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong subject to the terms and conditions in the Public Offer Underwriting Agreement, the Application Forms and this prospectus.

Subject to, among other matters, the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the Capitalisation Issue, exercise of options to be granted under the Share Option Scheme) and to the satisfaction of certain other conditions set out in the Public Offer Underwriting Agreement being fulfilled or waived on or before the dates and times specified in the Public Offer Underwriting Agreement (which shall in any event not later than the

UNDERWRITING

30th day after the date of this prospectus), the Public Offer Underwriters have severally agreed to subscribe for and/or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of the Public Offer Underwriting Agreement, the Application Forms and this prospectus.

Grounds for termination

The Bookrunner (for itself and on behalf of the Public Offer Underwriters) shall have the absolute right to terminate the underwriting arrangements with immediate effect pursuant to the Public Offer Underwriting Agreement by notice in writing given to the Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”), if any of the following events shall occur prior to the Termination Time:

- (a) there develops, occurs, exists or comes into force:
 - (i) any change or development involving a prospective change or development in, or any event or series of events resulting or likely to result in or representing any prospective change or development in, local, national, regional or international financial, political, military, industrial, legal, economic, currency market, credit, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, credit markets, and interbank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, Japan, the Cayman Islands, the BVI or any other jurisdiction relevant to any member of the Group (each a “**Relevant Jurisdiction**”); or
 - (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
 - (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, declaration of a national or international emergency, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, pandemic, outbreak of disease (including without limitation Severe Acute Respiratory Syndromes (SARS), Middle East Respiratory Syndrome (MERS), H5N1, H1N1, H7N9)), economic sanctions, in or affecting any of the Relevant Jurisdictions; or
 - (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (v) (A) any moratorium, suspension, restriction or limitation on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or (B) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services procedures or matters in or affecting any of the Relevant Jurisdictions; or
- (vi) any change or development or event involving a prospective change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or
- (vii) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (viii) any adverse change or development or event or a prospective adverse change or development or event in the Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position, prospects, properties, results of operations, general affairs, shareholders' equity, management, position or condition, financial or otherwise, whether or not arising in the ordinary course of business, as determined by the Bookrunner in its sole and absolute discretion; or
- (ix) the commencement by any judicial, regulatory, governmental or political body or organisation of any action, claim or proceedings against any Director or an announcement by any judicial, regulatory, governmental or political body or organisation that it intends to take any such action; or
- (x) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of the Company vacating his office in circumstances where the operations of the Group may be adversely affected, save and except for health reasons; or
- (xii) save as disclosed in this prospectus, a contravention by any member of the Group of the GEM Listing Rules or any applicable laws or regulations in the Cayman Islands, Hong Kong, the BVI, the PRC and Japan; or
- (xiii) an order or petition (based on valid grounds) is presented for the winding up or liquidation of the Company or any of its subsidiaries, or the Company or any of its subsidiaries make any composition or arrangement with its creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of the Company or any of its subsidiaries or a provisional liquidator, receiver or manager

UNDERWRITING

is appointed over all or part of the assets or undertaking of the Company or any of its subsidiaries or anything analogous thereto occurs in respect of the Company or any of its subsidiaries; or

- (xiv) a valid demand by any creditor for repayment or payment of any of the Company's indebtednesses or those of any of its subsidiaries or in respect of which its Company or any of its subsidiaries is liable prior to its stated maturity; or
- (xv) any loss or damage sustained by the Company or any of its subsidiaries as a result of a breach of its respective obligations or non-compliance with the applicable laws and regulations (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xvi) any litigation or claim of material importance being threatened or instigated against the Company or any of its subsidiaries or any of the Directors; or
- (xvii) a prohibition imposed by any competent government authority on the Company for whatever reason from allotting the Offer Shares pursuant to the terms of the Share Offer; or
- (xviii) non-compliance by the Group or the Directors of this prospectus (or any other documents used in connection with the contemplated subscription of the Offer Shares) or any aspect of the Share Offer with the GEM Listing Rules or any other applicable law or regulation; or
- (xix) other than with the approval of the Bookrunner (such approval not to be unreasonably withheld or delayed), the issue or requirement to issue by the Company of any supplement or amendment to this prospectus or the Application Forms (or to any other documents used in connection with the contemplated subscription of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules; or
- (xx) any event which give rise or would give rise to liability on the part of the Company pursuant to the indemnity provisions in the Public Offer Underwriting Agreement; or
- (xxi) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed "Risk factors" in this prospectus, and which, individually or in the aggregate, in the sole and absolute opinion of the Bookrunner (for itself and on behalf of the Public Offer Underwriters), (A) has or may have or will have or is likely to have a material adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, trading position or other condition or prospects of the Company and its subsidiaries as a whole; or (B) has or may have or will have or is likely to have a material adverse effect on the success, marketability or pricing of the Share Offer or

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the level of indication of interest in the Placing; or (C) makes, may make or will or is likely to make it impracticable or inadvisable or in expedient for any part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement or the Share Offer to proceed or to be performed or implemented as envisaged or to market the Share Offer; or (D) makes or may make or will or is likely to make it inadvisable or inexpedient to proceed with the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

- (b) there has come to the notice of the Sponsor and/or the Bookrunner (for itself and on behalf of the Public Offer Underwriters) after the date of the Public Offer Underwriting Agreement in their absolute opinion:
- (i) that any statement contained in this prospectus, the Application Forms, the formal notice or any announcements in the agreed form issued or used by or on behalf of the Company in connection with the Share Offer (including any supplement or amendment thereto) was, when it was issued, or has or may become untrue or incorrect or misleading in a material respect, or any expression of opinion, intention or expectation contained therein is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus which would or might constitute a material omission from this prospectus and/or in any notices or announcements issued or used by or on behalf of the Company in connection with the Share Offer (including any supplement or amendment thereto); or
 - (iii) that any of the warranties given by the Company or the warrantors under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached; or
 - (iv) that any matter, event, act or omission which gives or is likely to give rise to any liability of a material nature of the Company or the warrantors out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties as set out in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement and/or pursuant to the indemnities given by the Company, the warrantors or any of them under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement; or
 - (v) that any breach of any of the obligations or undertakings of any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement to be material in the context of the Share Offer (other than the Sponsor, the Bookrunner, or the Underwriters); or
 - (vi) that the Company withdraws this prospectus and/or the Application Forms; or

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- (vii) that approval by the Listing Division of the listing of, and permission to deal in, the Shares to be issued (including up to 10% of the Shares in issue as at the Listing Date, to be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme) under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) that any of the experts described under the paragraph headed “Other Information — Qualifications of experts” in Appendix V to this prospectus has withdrawn its respective consent to the issue of this prospectus and the Application Forms with the inclusion of its reports, letters, summaries of valuations and/or opinions (as the case may be) and references to their names included in the form and context in which they respectively appears; or
- (c) the Placing Underwriting Agreement and the Price Determination Agreement have not been duly executed on or before Friday, 26 May 2017 (or such other date as may be agreed between the Company and the Bookrunner (for itself and on behalf of the Public Offer Underwriters)).

Company’s undertakings

The Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of the Company (whether or not a class already listed) may be issued by the Company or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in the circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

The Company has undertaken to the Sponsor, the Bookrunner and the Public Offer Underwriters under the Public Offer Underwriting Agreement that it shall not, and each of the executive Directors and the Controlling Shareholders has undertaken to the Sponsor, the Bookrunner and the Public Offer Underwriters to procure the Company not to, except pursuant to the Share Offer and the Capitalisation Issue, without the prior written consent of the Bookrunner (for itself and on behalf of the Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed) and unless in compliance with the GEM Listing Rules:

- (a) at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-Month Period**”), (i) offer, accept subscribe for, pledge, charge, allot, issue, agree to allot or issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, rights or warrants to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the share capital, debt capital or other securities

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of the Company or any interest therein or any voting right or any other right attaching thereto (including but not limited to any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such share capital or securities or any interest therein) save as pursuant to the repurchase mandate granted by the sole Shareholder to the Directors as described in Appendix V to this prospectus, or (ii) enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to or in favour of any third party other than any member of the Group, in whole or in part, any of the economic consequences of subscription or ownership of such share capital or securities or interest therein or any voting right or any other right attaching thereto, or (iii) enter into any transaction with the same economic effect as any transaction described in (i) and (ii) above, or (iv) agree or contract to, or publicly announce any intention to enter into, any foregoing transaction described in (i), (ii) and (iii) (whether or not such transaction will be completed in the aforesaid period); whether any of the foregoing transactions described in (i), (ii) and (iii) is to be settled by delivery of Shares or such other securities, in cash or otherwise; and

- (b) at any time during the six-month period immediately following the First Six-Month Period (the “**Second Six-Month Period**”), issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for shares or securities of the Company or of any of its subsidiaries so as to result in any of the Controlling Shareholders ceasing to be a controlling Shareholder (as defined under the GEM Listing Rules);

and in the event the Company enters into any transaction specified in paragraph (b) above during the Second Six-Month Period (whether or not such transaction will be completed in the aforesaid period), the Company will take all reasonable steps to ensure that such issue or disposal will not create a disorderly or false market in the securities of the Company.

Controlling Shareholders’ non-disposal undertakings

Undertakings to the Stock Exchange pursuant to the GEM Listing Rules

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders, namely Mr. Chan and Speed Development, has undertaken to and covenanted with the Stock Exchange that, save as permitted under the GEM Listing Rules and pursuant to the Share Offer, it/he shall not, and shall procure that its/his close associates or companies controlled by it/him or any nominee or trustee holding in trust for it/him shall not:

- (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date on which the First Six-Month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the securities of the Company in respect of which it is shown by this prospectus to be the beneficial owners; and

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- (ii) at any time during the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of the Controlling Shareholders would then cease to be the Company's controlling Shareholders (as defined under the GEM Listing Rules);

and in the event that any of them enters into any transaction specified in paragraph (ii) above during the Second Six-Month Period (whether or not such transaction will be completed in the aforesaid period), it/he will take all reasonable steps to ensure that any such transaction, agreement or, as the case may be, announcement will not create a disorderly or false market in the securities of the Company.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of the Controlling Shareholders has also undertaken to the Stock Exchange, the Company, the Sponsor, the Bookrunner and the Underwriters that (i) in the event that the Controlling Shareholders or any of their close associates or companies controlled by it/him or nominees or trustees holding in trust for it/him pledges or charges any direct or indirect interest in the relevant Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the period commencing on the date of this prospectus and ending on the date which is 36 months from the Listing Date, he/it must inform the Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and (ii) having pledged or charged any interest in Shares under (i) above, he/it must inform the Company immediately in the event that he/it or any of its/his close associates or companies controlled by it/him or nominees or trustees holding in trust for it/him becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Undertakings pursuant to the Public Offer Underwriting Agreement

Each of the Controlling Shareholders has jointly and severally undertaken to and covenanted with the Company, the Sponsor, the Bookrunner and the Public Offer Underwriters that, without the prior written consent of the Bookrunner (for itself and on behalf of the Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed) and unless in compliance with the requirements of the GEM Listing Rules, it/he shall not, and shall procure that its/his close associates or companies controlled by it/him or any nominee or trustee holding in trust for it/him shall not:

- (i) at any time during the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the securities of the Company in respect of which it is shown by this prospectus to be the beneficial owners (whether direct or indirect); and

UNDERWRITING

- (ii) at any time during the 30-month period immediately following the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of the Controlling Shareholders will cease to be the Company's controlling Shareholders (as defined under the GEM Listing Rules);

and in the event that any of them enters into any transaction specified in paragraph (ii) above during the 30-month period immediately following the First Six-Month Period (whether or not such transaction will be completed in the aforesaid period), it/he will take all reasonable steps to ensure that any such transaction, agreement or, as the case may be, announcement will not create a disorderly or false market in the securities of the Company.

Commission and expenses

The Underwriters will receive an underwriting commission of 8% of the aggregate Offer Price of all the Offer Shares now being offered, out of which will, as the case may be, be applied to any sub-underwriting commissions and selling concession. In connection with the Listing and the Share Offer, the underwriting commission, documentation fee, Stock Exchange listing fees, brokerage, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expense relating to the Share Offer are estimated to be approximately HK\$23.4 million.

PLACING

In connection with the Placing, the Company is expected to enter into the Placing Underwriting Agreement with, *inter alia*, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe and/or purchase or procure subscribers and/or purchasers for the Placing Shares being offered pursuant to the Placing. Potential investors should note that if the Placing Underwriting Agreement is terminated, the Share Offer will not proceed.

Underwriters' interests in the Company

Save for its interests and obligations under the Underwriting Agreements and save as disclosed in this prospectus, none of the Sponsor, the Bookrunner, the Joint Lead Managers and the Underwriters or any of its directors, employees or associates is interested beneficially or non-beneficially in any shares in any member of the Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares of any member of the Group.

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Compliance Adviser's agreement

Under a compliance adviser's agreement dated 15 May 2017 and made between Messis Capital and the Company (the "**Compliance Adviser's Agreement**"), the Company appoints Messis Capital and Messis Capital agrees to act as the compliance adviser to the Company for the purpose of the GEM Listing Rules for a fee from the Listing Date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, i.e. 31 March 2020, or until the agreement is terminated, whichever is earlier.

Sponsor's interest in the Company

Messis Capital, being the Sponsor, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Save for the advisory and documentation fees to be paid to Messis Capital as the Sponsor to the Share Offer, its obligations under the Underwriting Agreements and any interests in securities that may be subscribed by it pursuant to the Share Offer, neither Messis Capital nor any of its close associates has or may, as a result of the Share Offer, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities).

No director or employee of Messis Capital who is involved in providing advice to the Company has or may, as a result of the Share Offer, have any interest in any class of securities of the Company or other company in the Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer).

No director or employee of Messis Capital has a directorship in the Company or any other company in the Group.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer consists of:

- the Public Offer of 12,500,000 Shares (subject to reallocation as mentioned below) as described under the paragraphs headed “The Public Offer” in this section; and
- the Placing of 112,500,000 Shares (subject to reallocation as mentioned below) as described under the paragraphs headed “The Placing” in this section.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong.

The Placing will involve selective marketing of the Offer Shares to institutional, professional and other investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraphs headed “Pricing and Allocation” in this section.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$0.64 per Offer Share and expected to be not less than HK\$0.40 per Offer Share, unless otherwise announced. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$0.64 per Public Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,232.25 for one board lot of 5,000 Shares. Each Application Form includes a table showing the exact amounts payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$0.64 per Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about Friday, 19 May 2017.

The Offer Price is expected to be fixed by agreement between the Bookrunner (for itself and on behalf of the Underwriters) and the Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Tuesday, 23 May 2017 and in any event, no later than 12:00 noon on Friday, 26 May 2017.

If, for any reason, the Company and the Bookrunner (on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 12:00 noon on Friday, 26 May 2017, the Share Offer will not proceed and will lapse.

Reduction in indicative Offer Price range

The Bookrunner (for itself and on behalf of the Underwriters) may, based on the bookbuilding process and with the prior consent of the Company, reduce the indicative Offer Price range below that disclosed in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event no later than the morning of the day which is the last day for lodging applications under the Public Offer, cause there to be published on the website of the Stock Exchange and the Company an announcement of reduction of the Offer Price range and will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the indicative Offer Price; extend the period under which the Public Offer was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions; and give potential investors who had applied for the Shares the right to withdraw their applications under the Public Offer. Such announcement shall also include confirmation or revision, as appropriate, of the working capital statement, offer statistics and any financial or other information in the Prospectus which may change as a result of any such reduction.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.

Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Bookrunner.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation of the Offer Shares pursuant to the Placing will be determined by the Bookrunner and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of the Company and the Shareholders as a whole.

Allocation of the Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the Placing and the basis of allocations of the Public Offer Shares are expected to be announced on Monday, 29 May 2017 on the Stock Exchange's website and on the Company's website.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** application forms will be made available through a variety of channels as described in the section headed "How to Apply for Public Offer Shares — 11. Publication of results" in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Listing Division granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be made available pursuant to the Capitalisation Issue, any Shares which may fall to be issued upon the exercise of the options that may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or around the Price Determination Date;
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by us on the Stock Exchange's website and on the Company's website on the next day following such lapse.

Share certificates for the Offer Shares are expected to be issued on Monday, 29 May 2017 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 31 May 2017, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for Termination" in this prospectus has not been exercised.

THE PUBLIC OFFER

Number of Shares initially offered the Company is initially offering 12,500,000 Public Offer Shares at the Offer Price, representing 10% of the 125,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of the Company immediately after completion of the Share Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Completion of the Public Offer is subject to the conditions as set out in the paragraphs headed "Conditions of the Public Offer" in this section.

Allocation

The Public Offer is open for subscription to all members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. Allocation of the Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Placing Shares in the Placing, and such applicant's

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be. Multiple or suspected multiple applications and any application for more than 100% of the Public Offer Shares initially comprised in the Public Offer are liable to be rejected.

Reallocation

The allocation of the Shares between the Public Offer and the Placing is subject to adjustment. If the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Public Offer, the total number of Shares available under the Public Offer will be increased to 37,500,000 Shares, 50,000,000 Shares and 62,500,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Share Offer. In such cases, the number of Shares allocated in the Placing will be correspondingly reduced, in such manner as the Bookrunner deems appropriate.

If the Public Offer Shares are not fully subscribed, the Bookrunner has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Bookrunner deems appropriate. In addition, the Bookrunner may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Bookrunner.

Applications

The Bookrunner (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Bookrunner so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PLACING

Number of Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 112,500,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of the Company's enlarged issue share capital immediately after the completion of the Share Offer, but without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme. The Placing is subject to the Public Offer being unconditional.

Allocation

Pursuant to the Placing, the Placing Underwriters will conditionally place the Placing Shares with institutional, professional and other investors expected to have a sizeable demand for the Shares in Hong Kong. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "bookbuilding" process described in paragraphs headed "Pricing and allocation" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of the Company and the Shareholders as a whole.

The Bookrunner may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Bookrunner so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 31 May 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 31 May 2017. The Shares will be traded in board lots of 5,000 Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Bookrunner, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company, the Bookrunner and the Sponsor may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the GEM Listing Rules) of any of the above;
- a connected person (as defined in the GEM Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Share Offer; or
- have been allocated or have applied for any Offer Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 16 May 2017 until 12:00 noon on Friday, 19 May 2017 from:

- (i) the office of the Bookrunner at Suite 1601–1603, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Central, Hong Kong; and

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(ii) any of the following branches of DBS Bank (Hong Kong) Limited:

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Head office	G/F., The Center 99 Queen's Road Central, Central
	United Centre Branch	Shops 1015–1018 on 1/F & Shops 2032–2034 on 2F, United Centre 95 Queensway, Admiralty
Kowloon	Nathan Road Branch	G/F & 1/F, Wofoo Commercial Building 574–576 Nathan Road Mongkok Kowloon
New Territories	Ma On Shan Branch	Shops 205–206 Level 2 Ma On Shan Plaza Ma On Shan New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 16 May 2017 until 12:00 noon on Friday, 19 May 2017 from the Depository Counter of HKSCC at 1/F., One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Ting Hong Nominees Limited — Speed Apparel Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

9:00 a.m. to 5:00 p.m. — Tuesday, 16 May 2017
 9:00 a.m. to 5:00 p.m. — Wednesday, 17 May 2017
 9:00 a.m. to 5:00 p.m. — Thursday, 18 May 2017
 9:00 a.m. to 12:00 noon — Friday, 19 May 2017

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The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 19 May 2017, the last application day or such later time as described in the sub-section headed “10. Effect of bad weather on the opening of the application lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Bookrunner (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of the Company, the Sponsor, the Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to the Company, the Sponsor, the Group's Hong Kong Branch Share Registrar, the receiving bank, the Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

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- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sponsor, the Bookrunner, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) (if you apply using a **YELLOW** Application Form) agree that the Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS investor participant stock account or the stock account of your designated CCASS participant;
- (xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xviii) understand that the Company, the Sponsor, the Bookrunner and the Underwriters, any of their respective directors, officers or any person or party involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

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- (xix) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xx) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK EIPO WHITE FORM

General

Individuals who meet the criteria in the sub-section headed “2. Who can apply” in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application through the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 16 May 2017 until 11:30 a.m. on Friday, 19 May 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 19 May 2017 or such later time under the sub-section headed “10. Effects of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instructions** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual

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application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instructions** under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F., One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

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If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Bookrunner and the Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - if the **electronic application instructions** are given for your benefit, declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

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- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between the Company and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, the Group's Hong Kong Branch Share Registrar, receiving bank, the Bookrunner, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

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- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the final Offer Price is less than the maximum Offer Price of HK\$0.64 per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 5,000 Public Offer Shares. Instructions for more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m. (*Note*) — Tuesday, 16 May 2017
- 8:00 a.m. to 8:30 p.m. (*Note*) — Wednesday, 17 May 2017
- 8:00 a.m. to 8:30 p.m. (*Note*) — Thursday, 18 May 2017
- 8:00 a.m. (*Note*) to 12:00 noon — Friday, 19 May 2017

Note: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 16 May 2017 until 12:00 noon on Friday, 19 May 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 19 May 2017, the last application day or such later time as described in the sub-section headed “10. Effect of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation

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under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section headed “Personal data” in the Application Form applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the receiving bank, the Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Bookrunner, the Joint Lead Managers, the Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 19 May 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

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All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 5,000 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 19 May 2017. Instead they will open between 11:45 a.m. a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 19 May 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Monday, 29 May 2017 on the website of the Stock Exchange at www.hkexnews.hk or the website of the Company at www.speedapparel.com.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the website of the Stock Exchange at www.hkexnews.hk or the website of the Company at www.speedapparel.com.hk by no later than 9:00 a.m. on Monday, 29 May 2017;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 29 May 2017 to 12:00 midnight on Monday, 5 June 2017;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 29 May 2017 to Friday, 2 June 2017 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 29 May 2017 to Thursday, 1 June 2017 at all the receiving bank’s designated branches.

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If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

- (i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

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- (ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Bookrunner, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

- (iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

- (iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Bookrunner believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the final Offer Price is less than the maximum Offer Price of HK\$0.64 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public

HOW TO APPLY FOR PUBLIC OFFER SHARES

Offer set out in the section headed “Structure and conditions of the Share Offer — Conditions of the Public Offer” in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 29 May 2017.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the final Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the final Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 29 May 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Wednesday, 31 May 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 29 May 2017 or such other date as notified by the Company on the website of the Stock Exchange at www.hkexnews.hk or the website of the Company at www.speedapparel.com.hk.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Monday, 29 May 2017, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 29 May 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Monday, 29 May 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you apply as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the sub-section headed "11. Publication of results" in this section. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 29 May 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the HK eIPO White Form service*

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 29 May 2017, or such other date as notified by the Company on the website of the Stock Exchange at www.hkexnews.hk or the website of the Company at www.speedapparel.com.hk as the date of despatch/ collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, 29 May 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iv) *If you apply via electronic application instructions to HKSCC*

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 29 May 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the sub-section headed "11. Publication of results" in this section on Monday, 29 May 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 29 May 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 29 May 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications initially paid on application and/or the difference between the final Offer Price and the maximum Offer Price per Offer Share paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 29 May 2017.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Deloitte.**德勤**

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

16 May 2017

The Directors
Speed Apparel Holding Limited

Messis Capital Limited

Dear Sirs,

We set out below our report on the financial information of the Garment Business (as defined below) carried out by Speed Apparel Holding Limited (the “Company”), its subsidiaries and their predecessors which carried out such business (the Company, its subsidiaries and the Garment Business carried out by predecessors are hereinafter collectively referred to as the “Group”) (the “Financial Information”) for each of the two years ended 31 March 2016 and the eight months ended 30 November 2016 (the “Track Record Period”) for inclusion in the prospectus of the Company dated 16 May 2017 (the “Prospectus”) in connection with the proposed listing (the “Proposed Listing”) of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 November 2015 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Up to 30 November 2016, the Company had not carried on any business since its date of incorporation other than the preparation of the Proposed Listing and the Reorganisation as defined below. Through a group reorganisation, including the Business Transfer (defined below), as more fully explained in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus (the “Reorganisation”), the Company became the holding company of the Group, including Knit World International Limited (“Knit World”), and succeeded the Garment Business from Speed Apparel Limited (“Speed Apparel”) and Firenze Apparel Limited (“Firenze Apparel”), which will not form part of the Group, on 18 May 2016.

Historically, the Group’s principal business, which are the selling of apparel products together with the provision of related supply chain management services to its customers (the “Garment Business”), was carried out by three entities, namely, Speed Apparel, Firenze Apparel and Knit World. All of Speed Apparel, Firenze Apparel and Knit World have always been under the control of Mr. Chan Wing Kai (“Mr. Chan”), the controlling shareholder of the Group.

During the Track Record Period, apart from running the Garment Business, Speed Apparel and Firenze Apparel also have certain non-core assets and liabilities which are not directly related to, nor form part of, the Group's principal Garment Business (the "Other Assets and Liabilities"). As the Financial Information aims to reflect only those financial information relevant to the Garment Business during the Track Record Period, the assets and liabilities, as well as the income and expenses directly attributable to such Other Assets and Liabilities were excluded from the Financial Information. For the purpose of this report, the Group had segregated relevant financial information of the Garment Business, to the extent possible, from the historical financial information of Speed Apparel and Firenze Apparel for the preparation of the Financial Information to be included in this report. In particular, since Speed Apparel and Firenze Apparel maintained same bank accounts for both the Garment Business as well as for the Other Assets and Liabilities, all cash transactions from the Garment Business and Other Assets and Liabilities were processed through the same bank accounts, which cannot be segregated. As a result, while the bank balances and cash of both Speed Apparel and Firenze Apparel (the "Bank Balances and Cash") for the Track Record Period were reflected in this Financial Information throughout the Track Record Period, the movements and balances of the Bank Balances and Cash attributable to, and the cash flows of, the Other Assets and Liabilities during each reporting period, together with the capital of both Speed Apparel and Firenze Apparel, were reflected as movements and balances in the consolidated statements of changes in equity under the heading of "special reserve" as deemed equity transactions with Mr. Chan (as Other Assets and Liabilities would be retained by Mr. Chan through Speed Apparel and Firenze Apparel, which will not form part of the Group following completion of Reorganisation). Such presentation will cease upon completion of Business Transfer when the Garment Business of Speed Apparel and Firenze Apparel was formally transferred to the Group and became distinct and separate from Speed Apparel or Firenze Apparel. In May 2016, the legal ownership of Knit World was also formally transferred by Mr. Chan to the Group. Since historically the principal activities and net assets of Knit World were all attributable to the Garment Business, no segregation of financial information is necessary for Knit World.

Particulars of the subsidiaries directly or indirectly held by the Company at the end of each reporting period and the date of this report are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group as at				Principal activity
				31 March		30 November	Date of	
				2015	2016	2016	this report	
				%	%	%	%	
Knit World	Hong Kong 20 February 2002	Hong Kong	Ordinary shares HK\$4,000,000	100	100	100	100	Apparel supply chain management services
Speed Apparel (BVI) Limited* ("Speed Apparel BVI")	British Virgin Islands ("BVI") 13 November 2015	Hong Kong	Ordinary shares US\$101	N/A	100	100	100	Investment holding
Speed Apparel (HK) Limited 尚捷(香港)有限公司 ("Speed Apparel HK") (Note)	Hong Kong 26 November 2015	Hong Kong	Ordinary shares HK\$10,000	N/A	100	100	100	Apparel supply chain management services
尚捷時(深圳)貿易有限公司 Speed Apparel (SZ) Trading Limited** ("Speed Apparel Shenzhen")***	The People's Republic of China (the "PRC") 23 February 2016	The PRC	Registered capital RMB800,000	N/A	100	100	100	Apparel supply chain management services

* Directly held by the Company

** English name for identification purpose only

*** Limited liability company established in the PRC

Note: As part of the Reorganisation, on 1 February 2016, Speed Apparel and Firenze Apparel transferred their rights and obligations, and assets and liabilities related specifically to the Garment Business to the Company's subsidiary, Speed Apparel HK. Details of the transfers are set out in note 1 to Section A below.

As part of the Reorganisation, each of Speed Apparel and Firenze Apparel entered into business transfer agreements with Speed Apparel HK (the "Business Transfer Agreements"), pursuant to which both Speed Apparel and Firenze Apparel ceased to operate the Garment Business and transferred formally to the Group on 1 February 2016 all the rights and obligations, and assets and liabilities related specifically to the Garment Business, except for building properties located in Hong Kong that served as the godown and ancillary office of the Garment Business and the associated bank borrowings, which were retained by Speed Apparel and Firenze Apparel pursuant to the Business Transfer Agreements (the "Business Transfer"). Following the completion of the Business Transfer, certain of abovementioned properties, though now retained by entities outside the Group, are continued to be used by the Group through new operating lease arrangements. The Bank Balances and Cash have also been transferred to the bank accounts maintained by Speed Apparel HK. As part of the Reorganisation as fully explained in note 1 to Section A below, Knit World became a subsidiary of the Company on 18 May 2016. As the predecessor and successor companies carry out the Garment Business have been under the common control of Mr. Chan throughout the Track Record Period, or since their respective dates of incorporation, where this is a

shorter period, the Financial Information has been prepared to present the financial position and financial performance of the Garment Business throughout the Track Record Period as a continuation of existing business from the perspective of Mr. Chan.

Each of the Company and its subsidiaries has adopted 31 March as their financial year end date, except for Speed Apparel Shenzhen which has adopted 31 December as its financial year end date.

The statutory financial statements of Knit World for the year ended 31 March 2015 were prepared in accordance with Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and were audited by William Kong & Company, certified public accountants registered in Hong Kong. The statutory financial statements of Knit World for the year ended 31 March 2016 were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA and were audited by us.

The statutory financial statements of Speed Apparel HK for the period from 26 November 2015 (date of incorporation) to 31 March 2016 were prepared in accordance with the HKFRSs issued by the HKICPA and were audited by us.

No statutory financial statements have been prepared for Speed Apparel Shenzhen as it has not reached the statutory time limit imposed on the issuance of the first set of its statutory financial statements since its date of establishment. No statutory financial statements have been prepared for the Company and Speed Apparel BVI since their respective dates of incorporation as they were incorporated in jurisdictions where there are no statutory audit requirements.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA (the “Underlying Financial Statements”).

We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have also examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in note 1 of the Section A below. No adjustments are considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of the Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 March 2015, 31 March 2016 and 30 November 2016 and of the Company as at 31 March 2016 and 30 November 2016, and of the consolidated financial performance and consolidated cash flows of the Group for the Track Record Period.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the eight months ended 30 November 2015 together with the notes thereon have been extracted from the Group's unaudited consolidated financial information for the same period (the "November 2015 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the November 2015 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the November 2015 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the November 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the November 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 March		Eight months ended 30 November	
		2015	2016	2015	2016
		HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Revenue	5	397,968	435,206	262,949	311,625
Cost of sales		<u>(335,360)</u>	<u>(371,059)</u>	<u>(227,212)</u>	<u>(266,249)</u>
Gross profit		62,608	64,147	35,737	45,376
Other income	6	1,738	1,486	1,065	1,176
Other loss		(1,477)	(2,135)	(1,224)	(1,521)
Selling and distribution expenses		(26,503)	(22,517)	(13,655)	(15,695)
Administrative expenses		(21,514)	(20,582)	(12,921)	(14,554)
Listing expenses		—	(3,207)	—	(7,055)
Finance costs		<u>(2,232)</u>	<u>(1,359)</u>	<u>(1,167)</u>	<u>(488)</u>
Profit before taxation		12,620	15,833	7,835	7,239
Income tax expense	7	<u>(2,088)</u>	<u>(3,367)</u>	<u>(1,238)</u>	<u>(2,412)</u>
Profit for the year/period	8	10,532	12,466	6,597	4,827
Other comprehensive income (expense)					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Exchange differences arising on translation of foreign operations		<u>—</u>	<u>1</u>	<u>—</u>	<u>(69)</u>
Total comprehensive income for the year/period		<u>10,532</u>	<u>12,467</u>	<u>6,597</u>	<u>4,758</u>
Earnings per share					
— basic (HK cents)	11	<u>2.81</u>	<u>3.32</u>	<u>1.76</u>	<u>1.29</u>

Statements of Financial Position

	Notes	The Group			The Company	
		As at 31 March		As at	As at	As at
				30 November	31 March	30 November
		2015	2016	2016	2016	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS						
Property, plant and equipment	12	44,179	1,361	1,790	—	—
Deferred tax assets	13	191	—	—	—	—
Investment in a subsidiary	28(a)	—	—	—	1	1
		<u>44,370</u>	<u>1,361</u>	<u>1,790</u>	<u>1</u>	<u>1</u>
CURRENT ASSETS						
Inventories	14	34,954	14,243	20,015	—	—
Trade and bills receivables	15	9,799	25,956	39,243	—	—
Other receivables, prepayments and deposits	15	1,424	9,976	11,080	886	2,941
Amounts due from related parties	16(a)	—	5,229	—	—	—
Tax recoverable		473	—	—	—	—
Pledged bank deposit	17	6,667	6,000	6,010	—	—
Bank balances and cash	17	<u>29,223</u>	<u>20,844</u>	<u>47,558</u>	<u>480</u>	<u>1,572</u>
		<u>82,540</u>	<u>82,248</u>	<u>123,906</u>	<u>1,366</u>	<u>4,513</u>
CURRENT LIABILITIES						
Trade and other payables	18	43,941	44,996	65,767	440	4,971
Amounts due to related parties	16(b)	9,444	9,295	9,296	—	—
Amounts due to subsidiaries	29(c)	—	—	—	4,175	9,850
Tax payables		326	991	3,410	—	—
Bank borrowings — due within one year	19	35,477	8,900	22,520	—	—
Obligation under a finance lease	20	—	—	114	—	—
		<u>89,188</u>	<u>64,182</u>	<u>101,107</u>	<u>4,615</u>	<u>14,821</u>
NET CURRENT (LIABILITIES) ASSETS		<u>(6,648)</u>	<u>18,066</u>	<u>22,799</u>	<u>(3,249)</u>	<u>(10,308)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>37,722</u>	<u>19,427</u>	<u>24,589</u>	<u>(3,248)</u>	<u>(10,307)</u>
NON-CURRENT LIABILITIES						
Obligation under a finance lease	20	—	—	424	—	—
Deferred tax liabilities	13	—	55	35	—	—
		<u>—</u>	<u>55</u>	<u>459</u>	<u>—</u>	<u>—</u>
NET ASSETS (LIABILITIES)		<u>37,722</u>	<u>19,372</u>	<u>24,130</u>	<u>(3,248)</u>	<u>(10,307)</u>
CAPITAL AND RESERVES						
Share capital	21	4,000	4,000	—	—	—
Reserves		<u>33,722</u>	<u>15,372</u>	<u>24,130</u>	<u>(3,248)</u>	<u>(10,307)</u>
		<u>37,722</u>	<u>19,372</u>	<u>24,130</u>	<u>(3,248)</u>	<u>(10,307)</u>

Consolidated Statements of Changes in Equity

	Attributable to owner of the Company					Total equity
	Share capital	Special reserve	Capital reserve	Exchange reserve	Retained profits	
	HK\$'000 (Note 21)	HK\$'000 (Note i)	HK\$'000 (Note iii)	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014	4,000	(17,233)	—	—	48,630	35,397
Profit and total comprehensive income for the year	—	—	—	—	10,532	10,532
Dividends recognised as distribution (note 10)	—	—	—	—	(7,000)	(7,000)
Movement of the Other Assets and Liabilities, net	—	(1,207)	—	—	—	(1,207)
At 31 March 2015	4,000	(18,440)	—	—	52,162	37,722
Profit for the year	—	—	—	—	12,466	12,466
Exchange differences arising on the translation of foreign operations	—	—	—	1	—	1
Total comprehensive income for the year	—	—	—	1	12,466	12,467
Movement of the Other Assets and Liabilities, net Arising from the Business Transfer (Note ii)	—	(789)	—	—	—	(789)
	—	—	—	—	(30,028)	(30,028)
At 31 March 2016	4,000	(19,229)	—	1	34,600	19,372
Profit for the period	—	—	—	—	4,827	4,827
Exchange differences arising on the translation of foreign operations	—	—	—	(69)	—	(69)
Total comprehensive income for the period	—	—	—	(69)	4,827	4,758
Arising from the Reorganisation	(4,000)	—	4,000	—	—	—
At 30 November 2016	—	(19,229)	4,000	(68)	39,427	24,130

	Attributable to owner of the Company					Total equity
	Share capital	Special reserve	Capital reserve	Exchange reserve	Retained profits	
	HK\$'000 (Note 21)	HK\$'000 (Note i)	HK\$'000 (Note iii)	HK\$'000	HK\$'000	HK\$'000
For the eight months ended 30 November 2015 (unaudited)						
At 1 April 2015	4,000	(18,440)	—	—	52,162	37,722
Profit and total comprehensive income for the period	—	—	—	—	6,597	6,597
Movement of Other Assets and Liabilities, net	—	(537)	—	—	—	(537)
At 30 November 2015	4,000	(18,977)	—	—	58,759	43,782

Notes:

- (i) As discussed above, the Financial Information included in this report aims to reflect the financial information relevant to the Garment Business, which was segregated from the books of Speed Apparel and Firenze Apparel, the predecessors which, together with Knit World, historically and throughout the Track Record Period carried out the Group's Garment Business, as well as held the Other Assets and Liabilities which does not form part of the Group. Therefore, the financial position and financial performance of the Group does not include those directly attributable to the Other Assets and Liabilities. However, since historically and throughout the Track Record Period, several bank accounts were maintained by Speed Apparel and Firenze Apparel for both the Garment Business and the Other Assets and Liabilities, which are inseparable, the Group's movements of cash flows as well as changes in equity included in this Financial Information have inevitably included those related to the Other Assets and Liabilities regardless of the date of the Business Transfer, before the Garment Business was formally transferred to the Group and became distinct and separate legal entities apart from Speed Apparel or Firenze Apparel. It follows that:
- a. in the consolidated statements of cash flows of the Group, any fund flows resulted in the increase and decrease of the bank accounts of Speed Apparel or Firenze Apparel as a result of transactions relating to the Other Assets and Liabilities, even though not related to the Group's Garment Business, were reflected as deemed financing cash inflows and outflows, respectively, of the Group with Mr. Chan as these represent deemed contributions from Mr. Chan and deemed distributions to Mr. Chan, respectively, and included in the Group's consolidated statements of cash flows throughout the Track Record Period; and
 - b. in the consolidated statements of changes in equity of the Group, due to the fact that both the Garment Business and the Other Assets and Liabilities were under the common control of Mr. Chan, any (I) corresponding increase in resources of the Group as a result of transactions mentioned in (a) above was credited to special reserve and recognised as deemed contributions from Mr. Chan; and (II) any corresponding decrease in resources as a result of transactions mentioned in (a) above was debited to special reserve and recognised as deemed distributions to Mr. Chan.
- (ii) On 1 February 2016, all the rights and obligations, and assets and liabilities related specifically to the Garment Business carried out by Speed Apparel and Firenze Apparel except for building properties located in Hong Kong that served as the godown and ancillary office of the Garment Business and the associated bank borrowings as at the date of the Business Transfer were formally transferred to Speed Apparel HK, a subsidiary of the Company.
- Building properties located in Hong Kong that served as the godown and ancillary office of the Garment Business amounting to HK\$41,200,000 and the associated bank borrowings amounting to HK\$11,172,000 were retained by Speed Apparel and Firenze Apparel, and have been accounted for as deemed distribution to Mr. Chan during the year ended 31 March 2016. Following the completion of the Business Transfer, one of the building properties has been leased to the Group, as set out in further details in notes 22 and 24(b).
- (iii) Capital reserve represents the difference between the nominal value of the one share of the Company issued as part of the Reorganisation to acquire Knit World from Mr. Chan and the nominal value of the then issued share capital of Knit World.

Consolidated Statements of Cash Flows

	Year ended 31 March		Eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
OPERATING ACTIVITIES				
Profit before taxation	12,620	15,833	7,835	7,239
Adjustments for:				
Depreciation of property, plant and equipment	2,022	1,713	1,284	489
Finance costs	2,232	1,359	1,167	488
Interest income	(204)	(124)	(105)	(11)
Operating cash flows before movements in working capital	16,670	18,781	10,181	8,205
Decrease (increase) in inventories	5,231	18,037	12,509	(5,772)
Increase in trade and bills receivables	(3,015)	(16,157)	(37,426)	(13,183)
Increase in other receivables, prepayments and deposits	(88)	(8,552)	(2,758)	(1,104)
(Increase) decrease in amounts due from related parties	—	(5,229)	—	5,229
Increase (decrease) in amounts due to related parties	58	(118)	(118)	—
Increase in trade and other payables	11,131	3,729	19,647	20,642
Cash from operations	29,987	10,491	2,035	14,017
Income tax paid	(1,412)	(1,982)	—	(13)
NET CASH FROM OPERATING ACTIVITIES	28,575	8,509	2,035	14,004
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(632)	(95)	(71)	(293)
Placement of pledged bank deposit	(180)	(70)	(70)	(10)
Interest received	204	124	105	11
Withdrawal of pledged bank deposit	—	737	—	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(608)	696	(36)	(292)

	Year ended 31 March		Eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
FINANCING ACTIVITIES				
Repayments of bank loans	(22,191)	(24,305)	(13,778)	(56,500)
Dividends paid to Mr. Chan	(7,000)	—	—	—
Interest paid	(2,232)	(1,359)	(1,167)	(488)
Repayment of obligation under a finance lease	—	—	—	(87)
Cash outflows from Other Assets and Liabilities	(1,665)	(1,264)	(1,011)	—
Repayment to a related party	(80)	(31)	(21)	—
Cash inflows from Other Assets and Liabilities	458	475	474	—
Advance from a related party	—	—	—	1
New bank loans raised	<u>11,691</u>	<u>8,900</u>	<u>221</u>	<u>70,120</u>
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<u>(21,019)</u>	<u>(17,584)</u>	<u>(15,282)</u>	<u>13,046</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,948	(8,379)	(13,283)	26,758
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	22,275	29,223	29,223	20,844
Effect of foreign exchange rate changes	<u>—</u>	<u>—</u>	<u>—</u>	<u>(44)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	<u>29,223</u>	<u>20,844</u>	<u>15,940</u>	<u>47,558</u>
Represented by:				
— Bank balances and cash	<u>29,223</u>	<u>20,844</u>	<u>15,940</u>	<u>47,558</u>

NOTES TO THE FINANCIAL INFORMATION**1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 November 2015 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The addresses of the Company's registered office and principal place of business are disclosed in the section headed "Corporate Information" of this Prospectus.

The Financial Information is presented in Hong Kong dollar ("HK\$"), which is different from the functional currency, namely United States dollars ("US\$"), of the Company. The directors of the Company consider that presenting the Financial Information in HK\$ is preferable as the Group's principle place of business is in Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Group is selling of apparel products together with the provision of related supply chain management services to its customers. The Group's customers are mainly owners or sourcing agents of apparel retail brands based in Japan, whose products are marketed and sold under their own brands. Historically, the Group's Garment Business was carried out by Speed Apparel, Firenze Apparel and Knit World, all of which are under the common control of Mr. Chan.

In preparation for the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange, the Group underwent the Reorganisation, which mainly involved (a) setting up shell entities as holding companies, (b) transferring the Garment Business from Speed Apparel and Firenze Apparel to Speed Apparel HK, and (c) the acquisition of Knit World by Speed Apparel BVI. Pursuant to the business transfer agreements entered into among each of Speed Apparel and Firenze Apparel and Speed Apparel HK, the transfer of the Garment Business formally from Speed Apparel and Firenze Apparel to the Group was completed on 1 February 2016, including all the rights and obligations, and assets and liabilities related specifically to the Garment Business except for building properties located in Hong Kong that served as the godown and ancillary office of the Garment Business and the associated bank borrowings which were retained by Speed Apparel and Firenze Apparel. Certain non-core assets and liabilities of Speed Apparel and Firenze Apparel not attributable to the Garment Business are not transferred to the Group and are retained by Speed Apparel or Firenze Apparel pursuant to the Business Transfer Agreements.

Major steps of the Reorganisation are as follows:

- i. On 13 November 2015, Speed Apparel BVI was incorporated with an issued and fully paid share capital of US\$100 which is held and controlled by Mr. Chan.
- ii. On 19 November 2015, the Company was incorporated with an issued and fully paid share capital of HK\$0.01 which is held and controlled by Mr. Chan.
- iii. On 26 November 2015, Speed Apparel HK was incorporated by Speed Apparel BVI in Hong Kong. Speed Apparel HK allotted and issued 10,000 shares at HK\$10,000, credited as fully paid, to Speed Apparel BVI as the initial subscriber.
- iv. On 8 December 2015, Mr. Chan transferred the entire issued share capital of the Company to Speed Development Co. Ltd ("Speed Development"), a company incorporated in the BVI which is held and controlled by Mr. Chan. On the same date, Mr. Chan also transferred the entire issued share capital of Speed Apparel BVI to the Company.
- v. On 1 February 2016, all the rights and obligations, and assets and liabilities related specifically to the Garment Business carried out by Speed Apparel and Firenze Apparel (except for building properties located in Hong Kong that served as godown and ancillary office of the Garment Business and the associated bank borrowings) as at the date of the Business Transfer were formally transferred to Speed Apparel HK. Other Assets and Liabilities in the net aggregate carrying amount of HK\$30,028,000 were retained by Speed Apparel and Firenze Apparel, and have been accounted for as deemed distribution to Mr. Chan.

- vi. On 23 February 2016, Speed Apparel Shenzhen was established in the PRC by Speed Apparel HK with a registered capital of RMB800,000, which has been paid up in full in April 2016.
- vii. On 18 May 2016, Speed Apparel BVI acquired the entire equity interest in Knit World from Mr. Chan for a consideration settled by the issue of one new share by Speed Apparel BVI to the Company; which in turn, issued one new share to Speed Development; which in turn, also issued one new share to Mr. Chan.

Speed Development is considered to be the immediate and ultimate holding company of the Company.

The Financial Information aims to include assets, liabilities, income and expenses that are related to and specifically identified for the Garment Business. During the Track Record Period, Speed Apparel and Firenze Apparel also owned Other Assets and Liabilities and the Group had segregated the relevant financial information of the Garment Business, to the extent possible, from the historical financial information of Speed Apparel and Firenze Apparel for the preparation of the Financial Information to be included in this report. In particular, since Speed Apparel and Firenze Apparel maintained the same bank accounts for both of their Garment Business as well as for their Other Assets and Liabilities, all cash transactions from the Garment Business and the Other Assets and Liabilities are processed through the same bank accounts, which cannot be segregated. As a result, the bank balances and cash of Speed Apparel and Firenze Apparel for the Track Record Period were reflected in this Financial Information throughout the Track Record Period. The directors of the Company believe that the method of segregation and allocation represents a reasonable basis of determining what the financial position and financial performance of the Garment Business would have been on a stand-alone basis.

Pursuant to the Reorganisation described above, the Company became the holding company of the companies now comprising the Group on 18 May 2016. As the Garment Business has been under the common control of Mr. Chan throughout the Track Record Period and before and after the Reorganisation, as a result, the Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information has been prepared on the basis as if the Company had always been the holding company of the Group and the Group had always been operating the Garment Business, using the principles of merger accounting under Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the Garment Business as if the Company had always been the holding company of the Group, the Garment Business had always been operated by the Group and the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2015 and 2016 have been prepared to present the assets and liabilities of the Garment Business as if the Company had always been the holding company of the Group, the Garment Business had always been operated by the Group and the current group structure had been in existence at those dates, taking into account the respective dates of incorporation/establishment, where applicable.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied the HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 April 2016 throughout the Track Record Period.

The Group has not early applied the following new standards and amendments that have been issued at the date of this report but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 7	Disclosure Initiative ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2017.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting

periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets in relation to the impairment assessment on receivables, with the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs. However, it is not practicable to provide a reasonable estimate of the effect until the directors of the Company have performed a detailed review. Except for abovementioned, the directors of the Company anticipate that the adoption of HKFRS 9 in the future will not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 30 November 2016.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specially, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosure are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Based on the current business model, the directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group's consolidated financial statements in the future. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 22, the total operating lease commitment of the Group in respect of rented premises as at 31 March 2016 and 30 November 2016 amounted to HK\$3,400,000 and HK\$2,600,000, respectively. The directors of the Company do not expect the adoption of HKFRS 16 as compared with HKAS 17 would result in significant impact on the Group's result but expected that the above operating lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The directors of the Company anticipate that the application of other new standards and amendments will have no material impact on the Financial Information of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange. The Financial Information also complies with the applicable requirements of the Hong Kong Companies Ordinance.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of

HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are as follows:

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Merger accounting for business combination involving entities under common control

The Financial Information incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Investment in a subsidiary

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less accumulated impairment losses. Cost includes direct attributable costs of investment.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Borrowing costs

Borrowing costs which are not eligible for capitalisation to qualifying assets are recognised in profit or loss in the year in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from accounting profit as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and PRC state-managed retirement benefits scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Property, plant and equipment

Property, plant and equipment including land and building held for use in the production or supply of goods, or for administrative purposes, are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated cost of completion and cost necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables and deposits, amounts due from related parties, pledged bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment of financial assets could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the receivable at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to related parties, amounts due to subsidiaries and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognised a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of trade and bills receivables

When there is objective evidence of impairment loss, the Group would estimate the future cash flows from the receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2015, 31 March 2016 and 30 November 2016, the carrying amounts of trade and bills receivables were HK\$9,799,000, HK\$25,956,000 and HK\$39,243,000 respectively.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on fashion trading for the Track Record Period.

The Group's operating segment is determined based on information reported to the chief operating decision maker (the "CODM") of the Group, being the executive directors of the Company throughout the Track Record Period, for the purpose of resource allocation and performance assessment. For management purpose, the Group operates in one business unit based on their products, and its sole operating segment is the trading of garment. The CODM monitors the revenue, results, assets and liabilities of its business unit as a whole and regularly reviews financial information prepared in accordance with the accounting policies which conform with HKFRSs which is consistent with those presented in this report, and without further discrete financial information. Accordingly, no analysis of segment information other than entity-wide information is presented.

The Group's operations are mainly located in Hong Kong.

Information about the Group's revenue from external customers is presented based on the geographical locations of the customers, irrespective of the origin of the goods, is detailed below:

	Year ended 31 March		Eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Japan	367,251	390,801	235,865	288,884
Hong Kong	22,595	29,515	17,904	14,473
PRC excluding Hong Kong	4,533	10,736	6,056	7,076
Others	3,589	4,154	3,124	1,192
	<u>397,968</u>	<u>435,206</u>	<u>262,949</u>	<u>311,625</u>

Information about the Group's non-current assets (exclude deferred tax assets) is presented based on the geographical location of the assets:

	As at 31 March		As at 30 November
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Hong Kong	<u>44,179</u>	<u>1,361</u>	<u>1,790</u>

Revenue from customers individually contributing over 10% of the Group's revenue of the corresponding year/period are as follows:

	Year ended 31 March		Eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Customer A	174,871	221,138	131,378	158,662
Customer B	98,312	90,872	53,987	72,114
Customer C	40,654	N/A*	N/A*	34,025

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year/period.

6. OTHER INCOME

	Year ended 31 March		Eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Sample sales income	1,532	1,360	960	1,165
Bank interest income	204	124	105	11
Others	<u>2</u>	<u>2</u>	<u>—</u>	<u>—</u>
	<u>1,738</u>	<u>1,486</u>	<u>1,065</u>	<u>1,176</u>

7. INCOME TAX EXPENSE

	Year ended 31 March		Eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Current tax:				
Hong Kong Profits Tax				
— current year/period	2,021	3,121	1,238	2,310
— overprovision in prior years	(1)	—	—	—
PRC Enterprise Income Tax (“EIT”)				
— current year/period	—	—	—	122
	2,020	3,121	1,238	2,432
Deferred tax (<i>note 13</i>)	68	246	—	(20)
	<u>2,088</u>	<u>3,367</u>	<u>1,238</u>	<u>2,412</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Track Record Period.

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit of a subsidiary established in the PRC, as determined in accordance with the relevant enterprise income tax law, implementation rules and notices in the PRC.

The tax charge for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		Eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Profit before taxation	<u>12,620</u>	<u>15,833</u>	<u>7,835</u>	<u>7,239</u>
Tax at Hong Kong Profits tax rate of 16.5% (<i>Note i</i>)	2,082	2,612	1,293	1,194
Tax effect of expenses not deductible for tax purposes	48	592	—	1,179
Tax effect of income not taxable for tax purposes	(1)	(20)	(55)	(2)
Overprovision in prior years	(1)	—	—	—
Tax effect of profit under tax concessions (<i>Note ii</i>)	(40)	(61)	—	—
Tax effect of reversal of deferred tax recognised in prior years/period	—	244	—	—
Effect of difference in tax rate of a subsidiary operating in another jurisdiction	—	—	—	41
Income tax expense for the year/period	<u>2,088</u>	<u>3,367</u>	<u>1,238</u>	<u>2,412</u>

Notes:

- (i) The income tax rate in the jurisdiction where the operations of the Group substantially based is used.
- (ii) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Track Record Period. In accordance with the 2015–16 Budget and 2016–17 Budget presented by the Financial Secretary of the Government of the Hong Kong Special Administrative Region of the People's Republic of China, it was proposed that the Hong Kong Profits Tax for the years of assessment 2014/2015 and 2015/2016 be reduced by 75%, subject to a ceiling of HK\$20,000 per case in each of the year. Certain subsidiaries of the Group operating in Hong Kong enjoyed such tax concessions.

8. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 March		Eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Profit for the year/period has been arrived at after charging:				
Directors' remuneration:				
— Fees	—	—	—	—
— Other emoluments, salaries and other benefits	3,141	2,881	1,889	1,909
— Retirement benefit scheme contributions	53	51	36	24
	3,194	2,932	1,925	1,933
Other staff costs:				
— Salaries and other benefits	20,237	19,674	11,247	12,822
— Retirement benefit scheme contributions	791	764	471	527
	21,028	20,438	11,718	13,349
Total employee benefits expenses	24,222	23,370	13,643	15,282
Interest expenses on				
— Bank borrowings	2,232	1,329	1,167	484
— Finance lease	—	—	—	4
Auditor's remuneration	95	150	100	533
Depreciation of property, plant and equipment	2,022	1,713	1,284	489
Net foreign exchange losses	1,477	2,135	1,224	1,521
Cost of inventories recognised as cost of sales	335,360	371,059	227,212	266,249
Operating lease rental in respect of rental premises	152	285	338	818
Commission expenses (included in selling and distribution expenses)	3,767	2,390	1,741	1,223
Sample charges (included in selling and distribution expenses)	6,811	5,807	3,943	5,097

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and the chief executive's emoluments

Mr. Chan Wing Kai and Mr. Ng Ming Ho were appointed as executive directors of the Company on 19 November 2015 and 15 June 2016 respectively. No independent non-executive directors were appointed during the Track Record Period. Mr. Kwok Chi Shing, Ms. Chan Siu Lai, and Mr. Ma Kwok Fai, Edwin have been appointed as independent non-executive directors of the Company on 23 January 2017. Details of the emoluments paid or payable by entities now comprising the Group to the directors and the chief executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

For the year ended 31 March 2015

Name of the director	Fee	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000 (Note iii)	HK\$'000	HK\$'000
Executive directors					
Mr. Chan Wing Kai (Note i)	—	2,040	510	35	2,585
Mr. Ng Ming Ho (Note ii)	—	546	45	18	609
	—	2,586	555	53	3,194

For the year ended 31 March 2016

Name of the director	Fee	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000 (Note iii)	HK\$'000	HK\$'000
Executive directors					
Mr. Chan Wing Kai (Note i)	—	2,042	210	33	2,285
Mr. Ng Ming Ho (Note ii)	—	580	49	18	647
	—	2,622	259	51	2,932

For the eight months ended 30 November 2015 (unaudited)

Name of the director	Fee	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000 (Note iii)	HK\$'000	HK\$'000
Executive directors					
Mr. Chan Wing Kai (Note i)	—	1,473	—	24	1,497
Mr. Ng Ming Ho (Note ii)	—	416	—	12	428
	—	1,889	—	36	1,925

For the eight months ended 30 November 2016

Name of the director	Fee	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000 (Note iii)	HK\$'000	HK\$'000
Executive directors					
Mr. Chan Wing Kai (Note i)	—	1,473	—	12	1,485
Mr. Ng Ming Ho (Note ii)	—	436	—	12	448
	—	1,909	—	24	1,933

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Notes:

- (i) Being appointed as a director of the Company on 19 November 2015 and was designated as an executive director on 15 June 2016. Mr. Chan Wing Kai is also the chief executive of the Group and his emoluments disclosed above included those for services rendered by him as the chief executive.
- (ii) Mr. Ng Ming Ho ("Mr. Ng") was appointed as a director of the Company on 15 June 2016.
- (iii) Discretionary bonus is determined by the directors of the Company by reference to the individual performance and contribution to the Group.

(b) Employees' emoluments

The five highest paid individuals of the Group include two directors of the Company for each of the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2015 and 2016. The emoluments of the remaining three individuals for each of the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2015 and 2016 are as follows:

	Year ended 31 March		Eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Salaries and other benefits	1,592	1,699	925	1,200
Discretionary bonus	994	824	77	100
Retirement benefit scheme contributions	53	54	26	36
	2,639	2,577	1,028	1,336

The emoluments were within the following bands:

	Number of employees			
	Year ended 31 March		Eight months ended 30 November	
	2015	2016	2015	2016
			<i>(unaudited)</i>	
Nil to HK\$1,000,000	2	2	3	3
HK\$1,000,001 to HK\$1,500,000	1	1	—	—
	3	3	3	3

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company or the chief executive of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

10. DIVIDENDS

Firenze Apparel distributed interim dividends amounting to HK\$7,000,000 for the year ended 31 March 2015 to Mr. Chan, its then shareholder, prior to the Reorganisation. Other than the above, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period or by the Company since its incorporation.

The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not considered meaningful.

11. EARNINGS PER SHARE

The calculation of basic earnings per share for the Track Record Period was based on the profit for the year/period attributable to owner of the Company and the number of 375,000,000 ordinary shares, which had been adjusted retrospectively for the effect of shares issued in connection with the Reorganisation as set out in note 1 and the effect of the capitalisation issue as detailed in the section headed "Share Capital" in the Prospectus as if both the Reorganisation and capitalisation issue had been effective on 1 April 2014.

No diluted earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and building in Hong Kong	Leasehold improvement	Furniture and office equipment	Motor vehicle	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST					
At 1 April 2014	50,146	5,388	3,368	—	58,902
Additions	—	—	632	—	632
At 31 March 2015	50,146	5,388	4,000	—	59,534
Additions	—	—	95	—	95
Written-off	—	(3,268)	(3,031)	—	(6,299)
Deemed distributions	(50,146)	—	—	—	(50,146)
At 31 March 2016	—	2,120	1,064	—	3,184
Additions	—	185	108	625	918
At 30 November 2016	—	2,305	1,172	625	4,102
DEPRECIATION					
At 1 April 2014	6,558	3,676	3,099	—	13,333
Provided for the year	1,303	486	233	—	2,022
At 31 March 2015	7,861	4,162	3,332	—	15,355
Provided for the year	1,085	424	204	—	1,713
Eliminated on written-off	—	(3,268)	(3,031)	—	(6,299)
Eliminated on deemed distributions	(8,946)	—	—	—	(8,946)
At 31 March 2016	—	1,318	505	—	1,823
Provided for the period	—	312	130	47	489
At 30 November 2016	—	1,630	635	47	2,312
CARRYING VALUES					
At 31 March 2015	42,285	1,226	668	—	44,179
At 31 March 2016	—	802	559	—	1,361
At 30 November 2016	—	675	537	578	1,790

The above items of property, plant and equipment are depreciated on a straight-line basis as follows:

Land and building	Over the period of the relevant lease
Leasehold improvement	Over the period of the relevant lease or 5 years, whichever is shorter
Furniture and office equipment	20% per annum
Motor vehicle	30% per annum

As at 31 March 2015, the entire balance of the land and building as shown above had been pledged to secure banking facilities granted to the Group.

As at 30 November 2016, the entire balance of the motor vehicle as shown above was held under a finance lease set out in note 20.

As set out in the consolidated statements of changes in equity and note 1, the above properties were retained by Speed Apparel and Firenze Apparel after the Business Transfer, and had been accounted for as deemed distribution to Mr. Chan during the year ended 31 March 2016.

13. DEFERRED TAX ASSETS (LIABILITIES)

The following is deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period:

	Accelerated accounting depreciation (tax depreciation) <i>HK\$'000</i>
At 1 April 2014	259
Charge to profit or loss	<u>(68)</u>
At 31 March 2015	191
Charge to profit or loss	<u>(246)</u>
At 31 March 2016	(55)
Credit to profit or loss	<u>20</u>
At 30 November 2016	<u><u>(35)</u></u>

As at 31 March 2015, 31 March 2016 and 30 November 2016, the Group had unused tax loss of HK\$34,000, HK\$74,000 and HK\$74,000, respectively, available to offset against future profits. No deferred tax asset had been recognised in respect of the unused tax loss due to the unpredictability of future profit streams. The tax losses as at 31 March 2015, 31 March 2016 and 30 November 2016 might be carried forward indefinitely.

14. INVENTORIES

	As at 31 March	As at
	2015	30 November
	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	14,950	5,240
Work in progress	<u>20,004</u>	<u>14,775</u>
	<u><u>34,954</u></u>	<u><u>20,015</u></u>

15. TRADE AND BILLS RECEIVABLES/OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	The Group			The Company	
	As at 31 March		As at 30 November	As at 31 March	As at 30 November
	2015	2016	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and bills receivables	9,799	25,956	39,243	—	—
Prepayments to subcontractors/suppliers	211	8,387	6,567	—	—
Deferred listing expenses	—	882	2,881	882	2,881
Utility deposits	232	181	138	—	—
Other receivables	893	435	890	—	—
Other prepayments	88	91	604	4	60
	1,424	9,976	11,080	886	2,941

No allowance for bad and doubtful debt was provided during the Track Record Period and no balance of provision for bad and doubtful debt had been recognised as at the end of each reporting period.

For long-term customers with good credit quality and payment history, the Group allows credit periods of no longer than 90 days. For other customers, the Group demands for full settlement upon delivery of goods.

The following is an ageing analysis of trade and bills receivables presented based on the invoice date at the end of the reporting period, which approximate the revenue recognition dates:

	As at 31 March		As at 30 November
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
1 to 30 days	8,773	22,379	36,253
31 to 60 days	229	2,101	1,237
61 to 90 days	176	1,334	1,210
Over 90 days	621	142	543
	9,799	25,956	39,243

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

Included in the Group's trade receivables balance were debtors with aggregate carrying amount of HK\$1,009,000, HK\$1,892,000 and HK\$2,827,000 as at 31 March 2015, 31 March 2016 and 30 November 2016, respectively, which were past due at the end of the reporting period for which the Group had not provided for impairment loss as the Group considered such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which were past due but not impaired at the end of the reporting period:

	As at 31 March		As at 30 November
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Overdue by:			
1 to 30 days	275	1,463	1,103
31 to 60 days	230	297	1,210
61 to 90 days	158	107	514
Over 90 days	346	25	—
	<u>1,009</u>	<u>1,892</u>	<u>2,827</u>

Trade and bills receivables and other receivables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	The Group		The Company	
	As at 31 March	As at 30 November	As at 31 March	As at 30 November
	2015	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	512	678	798	—
Renminbi ("RMB")	1,246	3,899	4,105	—
	<u>1,758</u>	<u>4,577</u>	<u>4,903</u>	<u>—</u>

16. AMOUNTS DUE FROM/TO RELATED PARTIES

(a) Amounts due from related parties

	Maximum amount outstanding					
	As at 1 April	As at 31 March		As at 30 November	during the year ended 31 March	during the eight months ended 30 November
	2014	2015	2016	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Speed Apparel	—	—	3,439	—	—	3,439
Firenze Apparel	—	—	1,790	—	—	1,790
	<u>—</u>	<u>—</u>	<u>5,229</u>	<u>—</u>	<u>—</u>	<u>—</u>

All of the amounts as at 31 March 2016 represented collection of trade debt balances from customers of the Group received by Speed Apparel and Firenze Apparel on the Group's behalf for sales made prior to the Business Transfer. The sales invoices of the relevant sales were issued in the names of Speed Apparel or Firenze Apparel prior to the Business Transfer and the relevant debtors therefore settled the trade debts to the designated bank accounts of Speed Apparel or Firenze Apparel, which were not transferred to the Group upon the Business Transfer. Such sums collected by Speed Apparel or Firenze Apparel on the Group's behalf were transferred back to the Group

within few business days upon receipts. The relevant cash flows of these collection of trade debts from the Group's customers were presented as operating cash flows in the consolidated statements of cash flows as the management considered the cash flows are, in substance, the receipts from trade customers. These amounts were denominated in HK\$, interest-free, unsecured and repayable on demand as at 31 March 2016. The entire balance as at 31 March 2016 has subsequently been settled before the date of this report.

(b) Amounts due to related parties

	<u>As at 31 March</u>		<u>As at</u>
	<u>2015</u>	<u>2016</u>	<u>30 November</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>2016</u>
			<u>HK\$'000</u>
Dream Knit Company Limited ("Dream Knit")	118	—	—
Mr. Chan	9,326	9,295	9,296
	<u>9,444</u>	<u>9,295</u>	<u>9,296</u>

Dream Knit was 100% controlled by Mr. Chan as at 31 March 2015. The amount due to Dream Knit as at 31 March 2015 was arising from the commission expense payable by the Group thereto, as set out in note 24(b). The full amount had been settled by the Group during the year ended 31 March 2016.

The amount due to Mr. Chan is non-trade in nature, unsecured, interest-free, repayable on demand and denominated in HK\$. Such amount has been settled by the Group before the listing of the Company's shares on the Stock Exchange.

17. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

Pledged bank deposit of the Group have been pledged to secure banking facilities granted to the Group.

The pledged bank deposit carried fixed interest rates which range from 2.65% to 3.1%, at 0.3% and at 0.1% per annum as at 31 March 2015, 31 March 2016 and 30 November 2016, respectively.

Bank balances carried interest at prevailing market rates ranging from 0.01% to 0.35%, 0.01% to 0.35% and 0.01% to 0.35% per annum as at 31 March 2015, 31 March 2016 and 30 November 2016, respectively.

Pledged bank deposit and bank balances and cash denominated in currencies other than the functional currency of the relevant group entities and the Company are set out below:

	<u>The Group</u>		<u>The Company</u>	
	<u>As at 31 March</u>	<u>As at</u>	<u>As at</u>	<u>As at</u>
	<u>2015</u>	<u>30 November</u>	<u>31 March</u>	<u>30 November</u>
	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
HK\$	22,235	21,317	37,606	480
RMB	8,788	1,261	1,550	—
	<u>31,023</u>	<u>22,578</u>	<u>39,156</u>	<u>480</u>
				<u>1,572</u>

During the Track Record Period, purchases with certain suppliers were paid and sales proceeds from certain customers were collected in the mainland China through one bank account opened under the name of Mr. Ng. Amounts of HK\$833,000 and HK\$986,000 kept by this individual in his own personal bank account was included in the cash and cash equivalents of the Group as at 31 March 2015 and 2016, respectively. The above arrangement had been ceased since June 2016 and the relevant individual personal bank account was closed in June 2016. This individual personal bank account was included in the Financial Information as, in the opinion of the directors of the Company, such sums represented the Group's asset as it was solely used for business operation of the Group in the PRC as the Group had no presence in the PRC before Speed Apparel Shenzhen was established. The above individual personal bank account had not carried any other transaction other than the Group's business transactions. As detailed in the section headed "Business — Risk management and internal control" in the Prospectus, given the measure taken by the Group and after seeking legal advice, the directors of the Company have represented that they are of the view that such arrangement will have no material financial impact to the Group.

18. TRADE AND OTHER PAYABLES

	The Group			The Company	
	As at 31 March		As at 30 November	As at 31 March	As at 30 November
	2015	2016	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	40,619	28,419	48,984	—	—
Accrued subcontracting charges	2,779	11,790	5,534	—	—
Accrued staff costs	141	503	1,732	—	—
Accrued expenses	357	778	6,102	439	4,971
Deposits received	45	916	38	—	—
Other payables	—	2,590	3,377	1	—
	<u>43,941</u>	<u>44,996</u>	<u>65,767</u>	<u>440</u>	<u>4,971</u>

The credit period on purchase of goods is ranging from 30 to 45 days. The ageing analysis of the trade payables of the Group presented based on the invoice dates at the end of each reporting period is as follows:

	As at 31 March		As at 30 November
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
1 to 30 days	17,428	25,748	46,098
31 to 60 days	18,421	1,431	2,156
61 to 90 days	3,097	504	597
Over 90 days	<u>1,673</u>	<u>736</u>	<u>133</u>
	<u>40,619</u>	<u>28,419</u>	<u>48,984</u>

Trade and other payables denominated in currencies other than the functional currency of the relevant group entities are set out below.

	The Group			The Company	
	As at 31 March		As at 30 November	As at 31 March	As at 30 November
	2015	2016	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	11,700	9,239	18,370	1	—
RMB	370	—	11,058	—	—
	<u>12,070</u>	<u>9,239</u>	<u>29,428</u>	<u>1</u>	<u>—</u>

19. BANK BORROWINGS

The entire balances of the Group's bank borrowings are secured, guaranteed and carried variable rate of interest.

	As at 31 March		As at 30 November
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Carrying amounts of bank borrowings based on scheduled repayment dates set out in the loan agreements:			
Within one year	24,834	8,900	22,520
More than one year, but not more than two years	3,212	—	—
More than two years, but not more than five years	7,044	—	—
More than five years	387	—	—
	<u>35,477</u>	<u>8,900</u>	<u>22,520</u>

Analysed as:

Amounts due within one year shown under current liabilities and contain a repayment on demand clause	24,834	8,900	22,520
Amounts that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	<u>10,643</u>	<u>—</u>	<u>—</u>
	35,477	8,900	22,520
Less: amounts shown under current liabilities	<u>(35,477)</u>	<u>(8,900)</u>	<u>(22,520)</u>
	<u>—</u>	<u>—</u>	<u>—</u>

The floating-rate bank borrowings carry interests at premiums over or discounts to Hong Kong Interbank Offered Rate ("HIBOR") or Prime Rates quoted by certain banks in Hong Kong. The effective interest rate on bank borrowings is ranging from 1.71% to 5.5% per annum, at 2.27% per annum and ranging from 2.08% to 2.61% per annum as at 31 March 2015, 31 March 2016 and 30 November 2016, respectively.

Bank borrowings denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	<u>As at 31 March</u>		<u>As at 30 November</u>
	<u>2015</u>	<u>2016</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	<u>35,477</u>	<u>8,900</u>	<u>8,000</u>

The Group's banking borrowings are secured by (i) certain properties of the Group as detailed in note 25, (ii) certain properties and car parking spaces held by entities controlled by Mr. Chan and/or (iii) a property held by Mr. Chan and his wife.

The Group's bank borrowings are guaranteed by corporate guarantees provided by Speed Apparel and Firenze Apparel, and personal guarantee provided by Mr. Chan, as set out in note 24(c).

20. OBLIGATION UNDER A FINANCE LEASE

The Group leased its motor vehicle under a finance lease. The lease term is five years. Interest rate underlying obligation under a finance lease is fixed at contract date of 1.99% per annum.

	<u>Minimum lease payments</u>			<u>Present value of minimum lease payments</u>		
	<u>31 March</u>	<u>31 March</u>	<u>30 November</u>	<u>31 March</u>	<u>31 March</u>	<u>30 November</u>
	<u>2015</u>	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount payable under a finance lease:						
Within one year	—	—	138	—	—	114
Within a period of more than one year but not more than two years	—	—	138	—	—	120
Within a period of more than two years but less than five years	—	—	320	—	—	304
	—	—	596	—	—	538
Less: Future finance charge	—	—	(58)	N/A	N/A	N/A
Present value of lease obligation	<u>—</u>	<u>—</u>	<u>538</u>	—	—	538
Less: Amount due for settlement within twelve months shown under current liabilities				<u>—</u>	<u>—</u>	<u>(114)</u>
Amount due for settlement after twelve months shown under non-current liabilities				<u>—</u>	<u>—</u>	<u>424</u>

The Group's obligation under a finance lease is secured by the title to the leased asset and guarantees provided by wife of Mr. Chan.

21. SHARE CAPITAL

For the purposes of presentation of the statements of financial position, the balances of share capital as at 1 April 2014 and 31 March 2015 represented the share capital of Knit World attributable to Mr. Chan prior to the completion of the Reorganisation.

The Company was incorporated during the year ended 31 March 2016. As set out in note 1, the acquisition of Knit World by Speed Apparel BVI had not yet been completed on 31 March 2016 and the balance of share capital as at 31 March 2016 represented the aggregate of the share capital of the Company and Knit World attributable to Mr. Chan, which amounts to HK\$4,000,000.

As further set out in note 1, the acquisition of Knit World by Speed Apparel BVI had been completed on 18 May 2016 and settled by issue of one share of the Company to Speed Development as part of the consideration. On 24 May 2016, the Company further issued and allotted 8,998 shares at par value of HK\$0.01 each to Speed Development at the aggregate cash consideration of approximately HK\$90. The balance of share capital as at 30 November 2016 represented solely the share capital of the Company.

Details of movements of share capital of the Company are as follows:

	<u>Number of shares</u>	<u>Share capital</u> <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 19 November 2015 (date of incorporation), 31 March 2016 and 30 November 2016	<u>39,000,000</u>	<u>390</u>
Issued:		
At date of incorporation and 31 March 2016	1	—
Issue of shares	<u>8,999</u>	<u>—</u>
At 30 November 2016	<u>9,000</u>	<u>—</u>

The new shares rank pari passu with the then existing shares in all respects.

Other than the share allotments above, no other share transaction was undertaken by the Company from its incorporation date to 30 November 2016.

22. OPERATING LEASES**The Group as lessee**

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 March		As at 30 November
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	—	1,200	1,200
In the second to fifth year inclusive	—	2,200	1,400
	<u>—</u>	<u>3,400</u>	<u>2,600</u>

Operating lease payments represent rental expense payable by the Group to a related entity controlled by Mr. Chan, as set out in note 24(b), for its office premises. Leases are negotiated for the next three years and rentals are fixed over the relevant lease.

23. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes the lower of HK\$1,250 (before June 2014) or HK\$1,500 (after June 2014) or 5% of relevant payroll costs per person to the MPF Scheme, which contribution is matched by the employees.

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Company's subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits.

The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions. During the Track Record Period, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss represents contributions paid or payable to the scheme by the Group at rates specified in the rules of the scheme. The retirement benefits scheme contributions made by the Group amounted to HK\$844,000, HK\$815,000, HK\$507,000 (unaudited) and HK\$551,000 for the years ended 31 March 2015 and 31 March 2016 and each of the eight months ended 30 November 2015 and 30 November 2016, respectively.

24. RELATED PARTY DISCLOSURES**(a) Related party balances**

Details of the outstanding balances with related parties are set out in the statements of financial position and in notes 16 and 29(c).

(b) Related party transactions

Saved as disclosed elsewhere in the Financial Information, during the Track Record Period, the Group entered into the following transactions with related parties:

Name of related party	Nature of transaction	Year ended 31 March		Eight months ended 30 November	
		2015	2016	2015	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Dream Knit	Commission expense	474	153	153	—
Firenze Apparel	Rental expense (<i>Note</i>)	—	200	—	800

Note: Following the completion of the Business Transfer, a property retained by Firenze Apparel is continued to be used by the Group as the godown and ancillary office for a monthly rent of HK\$100,000.

(c) Security and guarantees provided by related parties

The Group's bank borrowings are secured by security and guarantees provided by related parties and details are set out in note 19.

The Group's obligation under a finance lease is secured by the title of the leased asset as set out in note 20 and guarantees provided by wife of Mr. Chan.

(d) Compensation of the key management personnel

	Year ended 31 March		Eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Salaries and other benefits	3,751	4,135	2,669	2,962
Discretionary bonus	1,269	814	222	247
Retirement benefit scheme and contributions	88	97	62	60
Total	5,108	5,046	2,953	3,269

The remuneration of the key management personnel are determined having regard to the performance of the individuals.

25. PLEDGE OF ASSETS

At the end of each reporting period, the following assets were pledged to banks to secure certain banking facilities granted to the Group:

	As at 31 March		As at 30 November
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	42,285	—	—
Pledged bank deposit	6,667	6,000	6,010
	<u>48,952</u>	<u>6,000</u>	<u>6,010</u>

26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. The overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 19, amounts due to related parties as set out in note 16(b) and obligation under a finance lease as set out in note 20, net of cash and cash equivalents, and equity attributable to owner of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associated with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through issue of new shares, issue of new debt and redemption of existing debts.

27. FINANCIAL INSTRUMENTS**(a) Categories of financial instruments**

	The Group			The Company	
	As at 31 March		As at 30 November	As at 31 March	As at 30 November
	2015	2016	2016	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets					
Loans and receivables (including cash and cash equivalents)	<u>46,814</u>	<u>58,645</u>	<u>93,839</u>	<u>480</u>	<u>1,572</u>
Financial liabilities					
Amortised cost	<u>85,540</u>	<u>49,204</u>	<u>84,177</u>	<u>4,176</u>	<u>9,850</u>

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables and deposits, amounts due from/to related parties, pledged bank deposit, bank balances and cash, trade and other payables, bank borrowings and obligation under a finance lease. The Company's major financial instruments include bank balances and cash and amounts due to subsidiaries.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk**(i) Currency risk**

Certain trade and bills receivables, other receivables, amounts due from/to related parties, pledged bank deposit, bank balances and cash, trade and other payables, bank borrowings and obligation under a finance lease of the Group and the Company and amounts due to subsidiaries of the Company are denominated in foreign currency of the respective group entities which are exposed to foreign currency risk.

The Group and the Company currently do not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

	The Group			The Company	
	As at 31 March		As at 30 November	As at 31 March	As at 30 November
	2015	2016	2016	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets					
HK\$	22,747	27,224	38,404	480	1,572
RMB	10,034	5,160	5,655	—	—
Liabilities					
HK\$	56,621	27,434	36,204	4,176	9,850
RMB	370	—	11,058	—	—

Since HK\$ is pegged to US\$, the risk of volatility between US\$ and HK\$ is limited and the directors of the Company consider that the risk is minimal. Accordingly, no sensitivity analysis for the currency risk of HK\$ is presented.

Sensitivity analysis

The Group is exposed to foreign currency risk on fluctuation of RMB during the Track Record Period.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US\$ as at 31 March 2015, 31 March 2016 and 30 November 2016. The percentage of the sensitivity rate used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year/period end for a 5% change in foreign currency rates as at 31 March 2015, 31 March 2016 and 30 November 2016. A positive (negative) number below indicates an increase (a decrease) in post-tax profit where RMB strengthens 5% against US\$ for each of the years ended 31 March 2015 and 31 March 2016 and the eight months ended 30 November 2016. For a 5% weakening of RMB against US\$, there would be an equal and opposite impact on post-tax profit.

	<u>Year ended 31 March</u>		<u>Eight months ended</u>
	<u>2015</u>	<u>2016</u>	<u>30 November</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
			<i>HK\$'000</i>
Impact on post-tax profit of the Group	<u>403</u>	<u>215</u>	<u>(226)</u>

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to its pledged bank deposit and obligation under a finance lease as set out in notes 17 and 20 respectively. The Group and the Company are also exposed to cash flow interest rate risk in relation to floating-rate bank balances and bank borrowings at variable interest rates. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of the HIBOR, the Best Lending Rate and the Prime Rates quoted by certain banks in Hong Kong.

The Group's and the Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the interest-bearing financial assets and financial liabilities outstanding at the end of each reporting period were outstanding for the whole year/period. A 100 basis points and 10 basis points increase or decrease in the floating-rate interest bearing financial liabilities and financial assets respectively, are used and represent management's assessment of the reasonably possible change in interest rates for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016.

If interest rates on floating-rate interest-bearing financial liabilities had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 March 2015 and 31 March 2016 and the eight months ended 30 November 2016 would decrease/increase by HK\$296,000, HK\$74,000 and HK\$125,000 respectively.

For the floating-rate interest-bearing financial assets, based on the sensitivity analysis, the directors of the Company consider that the impact on post-tax profit from changes in interest rates is insignificant for the Track Record Period.

Credit risk

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the statements of financial position of the Group.

The Group's credit risk is primarily attributable to its trade and bills receivables and amounts due from related parties. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk on its pledged bank deposit and bank balance as the entire balances as at 31 March 2015, 31 March 2016 and 30 November 2016 are deposited with three banks. The credit risk of the Group on pledged bank deposit and bank balances is limited because the counterparties are banks with good reputation.

As at 31 March 2015, 31 March 2016 and 30 November 2016, the Group had concentration of credit risk as 53%, 56% and 44%, respectively, of the total trade receivables and bills receivables was due from the Group's largest customer. The Group's concentration of credit risk on the top five largest customers accounted for 93%, 91% and 74% of the total trade receivables and bills receivable as at 31 March 2015, 31 March 2016 and 30 November 2016, respectively. The Group normally grants a credit term of no longer than 90 days to these customers. All of these counterparties are either owners or sourcing agents of apparel retail brands based in Japan arising from the Group's trading of garment business. The management of the Group considered that the credit risk on amounts due from these customers is insignificant after considering their historical settlement records, credit qualities and financial positions of the counterparties.

Liquidity risk

In management of the liquidity risk, the Group and the Company monitor and maintain levels of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

*Liquidity tables***As at 31 March 2015****The Group**

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	Over 3 months but less than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 March 2015
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities							
Trade payables	N/A	—	40,619	—	—	40,619	40,619
Amounts due to related parties	N/A	9,444	—	—	—	9,444	9,444
Bank borrowings — variable rate	3.48	35,477	—	—	—	35,477	35,477
		44,921	40,619	—	—	85,540	85,540

As at 31 March 2016**The Group**

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	Over 3 months but less than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 March 2016
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities							
Trade and other payables	N/A	2,590	28,419	—	—	31,009	31,009
Amount due to a related party	N/A	9,295	—	—	—	9,295	9,295
Bank borrowings — variable rate	2.27	8,900	—	—	—	8,900	8,900
		20,785	28,419	—	—	49,204	49,204

As at 30 November 2016

The Group

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	Over 3 months but not more than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 30 November 2016
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities							
Trade and other payables	N/A	3,377	48,984	—	—	52,361	52,361
Amount due to a related party	N/A	9,296	—	—	—	9,296	9,296
Bank borrowings — variable rate	2.42	22,520	—	—	—	22,520	22,520
Obligation under a finance lease	1.99	11	23	104	458	596	538
		<u>35,204</u>	<u>49,007</u>	<u>104</u>	<u>458</u>	<u>84,773</u>	<u>84,715</u>

As at 31 March 2016

The Company

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	Over 3 months but not more than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 March 2016
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities							
Other payable	N/A	1	—	—	—	1	1
Amounts due to subsidiaries	N/A	<u>4,175</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,175</u>	<u>4,175</u>
		<u>4,176</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,176</u>	<u>4,176</u>

As at 30 November 2016

The Company

Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	Over 3 months but not more than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 30 November 2016
%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Non-derivative financial
liability

Amounts due to subsidiaries	N/A	9,850	—	—	—	9,850	9,850
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Bank borrowings with a repayment on demand clause are included in the “repayable on demand” time band in the above maturity analysis. As at 31 March 2015, 31 March 2016 and 30 November 2016, the aggregate carrying amounts of these bank borrowings were HK\$35,477,000, HK\$8,900,000 and HK\$22,520,000, respectively.

Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$36,344,000, HK\$8,967,000 and HK\$22,594,000 as at 31 March 2015, 31 March 2016 and 30 November 2016, respectively, as set out below:

As at 31 March 2015

Weighted average interest rate	Repayable on demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years	Total undiscounted cash flow	Carrying amount at 31 March 2015
%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Bank borrowings — variable rate	3.48	22,054	567	2,551	10,791	381	36,344	35,477
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As at 31 March 2016

Weighted average interest rate	Repayable on demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years	Total undiscounted cash flow	Carrying amount at 31 March 2016
%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Bank borrowings — variable rate	2.27	17	34	8,916	—	—	8,967	8,900
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As at 30 November 2016

	Weighted average interest rate	Repayable on demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Total undiscounted cash flow	Carrying amount at 30 November 2016
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings — variable rate	2.42	8,046	14,548	—	—	—	22,594	22,520

The amounts included above for variable rate instruments for non-derivative financial liabilities are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The management considers that the carrying amounts of the financial assets and financial liabilities of the Group and the Company recorded at amortised cost in the Financial Information at the end of each reporting period approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

28. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 March 2016

As set out in note 1, the Business Transfer has been completed during the year ended 31 March 2016. Building properties amounting to HK\$41,200,000 and the associated bank borrowings amounting to HK\$11,172,000, were retained by Speed Apparel and Firenze Apparel, and accounted for as deemed distribution to Mr. Chan by the Group.

For the eight months ended 30 November 2016

As set out in note 12, the Group has entered into a finance lease arrangement to acquire a motor vehicle amounting to HK\$625,000.

29. FINANCIAL INFORMATION OF THE COMPANY

(a) Investment in a subsidiary of the Company

	As at 31 March 2016 and 30 November 2016
	HK\$'000
Investment in Speed Apparel BVI	1

(b) Movement of the Company's reserve

	<u>Accumulated loss</u> <i>HK\$'000</i>
As at 19 November 2015 (date of incorporation)	—
Loss for the period	<u>(3,248)</u>
As at 31 March 2016	(3,248)
Loss for the period	<u>(7,059)</u>
As at 30 November 2016	<u><u>(10,307)</u></u>

- (c) Amounts due to subsidiaries as at 31 March 2016 and 30 November 2016 were denominated in HK\$, unsecured, interest-free and repayable on demand.

B. SUBSEQUENT EVENTS**(a) Capitalisation issue**

Pursuant to the written resolutions passed by the sole shareholder of the Company on 23 January 2017 and 8 May 2017, conditional upon the crediting of the Company's share premium account as a result of the issue of the offer shares pursuant to the share offer, the directors of the Company were authorised to capitalise an amount of approximately HK\$3,749,910 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 374,991,000 shares for allotment and issue to the shareholders as of 23 January 2017, on a pro rata basis.

(b) Share option scheme

Pursuant to the written resolutions of the sole shareholder of the Company passed on 8 May 2017, the Company has conditionally adopted a share option scheme (the "Share Option Scheme"). The principal terms of the Share Option Scheme are set out in section headed "Statutory and General Information — D. Share Option Scheme" in Appendix V to the Prospectus. No option was granted as at the date of this report.

C. DIRECTORS' EMOLUMENTS

Under the arrangement presently in force, the aggregate amount of directors' remuneration for the year ended 31 March 2017 is estimated to be HK\$2,903,000.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries or the Group in respect of any period subsequent to 30 November 2016.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the accountants' report on the financial information of the Group for each of the two years ended 31 March 2016 and the eight months ended 30 November 2016 (the "Accountants' Report") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma financial information prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Share Offer on the audited consolidated net tangible assets of the Group as if the Share Offer had taken place on 30 November 2016.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 November 2016 or at any future dates following the Share Offer.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 November 2016 is prepared based on the audited consolidated net assets of the Group as at 30 November 2016 as shown in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group as at 30 November 2016	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 November 2016	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 November 2016 per Share
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>
Based on Offer Price of				
HK\$0.40 per Offer Share	24,130	35,882	60,012	0.12
Based on Offer Price of				
HK\$0.64 per Offer Share	<u>24,130</u>	<u>63,482</u>	<u>87,612</u>	<u>0.18</u>

Notes:

1. The audited consolidated net tangible assets of the Group as at 30 November 2016 is extracted from the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Share Offer are based on 125,000,000 Offer Shares to be issued at Offer Price of HK\$0.40 and HK\$0.64 per Offer Share, being the low-end and high-end of the indicated Offer Price range respectively, after deduction of the estimated underwriting fees and other Share Offer related expense (excluding approximately HK\$10,262,000 listing expenses accounted for prior to 30 November 2016) incurred or to be incurred by the Group. It does not take into account any shares which may be issued or repurchased by the Company pursuant to the “Share Option Scheme”, “General Mandate to Issue Shares” or “General Mandate to Repurchase Shares” detailed under the section headed “Share Capital” in this prospectus, as applicable.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 November 2016 per Share is arrived at after adjustments referred to in the preceding paragraph and on the basis of 500,000,000 shares, of which 125,000,000 Offer Shares were in issue by assuming that the Share Offer and the Capitalisation Issue had been completed on 30 November 2016. It does not take into account any shares which may be issued or repurchased by the Company pursuant to the “Share Option Scheme”, “General Mandate to Issue Shares” or “General Mandate to Repurchase Shares” detailed under the section headed “Share Capital” in this prospectus, as applicable.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as of 30 November 2016 to reflect any trading result or other transactions of the Group entered into subsequent to 30 November 2016.

B. UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

The following unaudited pro forma estimated earnings per Share for the year ended 31 March 2017 has been prepared in accordance with Rule 7.31 of the GEM Listing Rules and on the basis set out in the notes below for the purpose of illustrating the effect of the Share Offer, as if it had taken place on 1 April 2016. The unaudited pro forma estimated earnings per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group for the year ended 31 March 2017 or for any future periods following the Share Offer.

Estimated consolidated profit attributable to owner of
the Company for the year ended 31 March 2017 (*Note 1*) not less than HK\$5.4 million

Unaudited pro forma estimated earnings per
Share for the year ended 31 March 2017 (*Note 2*) not less than HK\$0.01

Notes:

1. The bases on which the above profit estimate has been prepared are summarised in Appendix III to this prospectus. The Directors have prepared the estimated consolidated profit attributable to owner of the Company for the year ended 31 March 2017 based on the audited consolidated results of the Group for the eight months ended 30 November 2016, the unaudited consolidated results based on management accounts of the Group for the three months ended 28 February 2017 and an estimate of the consolidated results of the Group for the remaining one month ended 31 March 2017.
2. The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owner of the Company for the year ended 31 March 2017 and on the assumption that a total of 500,000,000 shares, of which 125,000,000 Offer Shares were in issue by assuming that the Share Offer and the Capitalisation Issue had been completed on 1 April 2016, without taking into account any shares which may be issued or repurchased by the Company pursuant to the “Share Option Scheme”, “General Mandate to Issue Shares” or “General Mandate to Repurchase Shares” detailed under the section headed “Share Capital” in this prospectus, as applicable.

C. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Speed Apparel Holding Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Speed Apparel Holding Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 November 2016 and the unaudited pro forma estimated earnings per share for the year ended 31 March 2017 and related notes as set out on pages II-1 to II-3 of Appendix II to the prospectus issued by the Company dated 16 May 2017 (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited by way of share offer (the “Share Offer”) on the Group’s financial position as at 30 November 2016 and the Group’s earnings per share for the year ended 31 March 2017 as if the Share Offer had taken place at 30 November 2016 and 1 April 2016, respectively. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial information for each of the two years ended 31 March 2016 and the eight months ended 30 November 2016, on which an accountants’ report set out in Appendix I to the Prospectus has been published and information about the estimate of the consolidated profit of the Group attributable to owner of the Company for the year ended 31 March 2017, on which no auditor’s report or review report has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and

with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 November 2016 or 1 April 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

16 May 2017

The estimate of the consolidated profit of the Group for the year ended 31 March 2017 is set out in the section headed “Financial information — Profit estimate for the year ended 31 March 2017” in this prospectus.

A. PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2017

The estimate of the consolidated profit of the Group for the year ended 31 March 2017 prepared by the Directors is based on (i) the audited consolidated results of the Group for the eight months ended 30 November 2016; (ii) the unaudited consolidated results of the Group based on the management accounts for the three months ended 28 February 2017; and (iii) an estimate of the consolidated results of the Group for the one month ended 31 March 2017. The estimate has been prepared, in all material aspects, in accordance with the accounting policies consistent with those normally adopted by the Group as summarised in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Profit estimate for the year ended 31 March 2017

**Estimate for the year ended
31 March 2017**

Estimated consolidated profit attributable to
owner of the Company not less than HK\$5.4 million

Note: The estimated consolidated profit attributable to owner of the Company for year ended 31 March 2017 has taken into account of the expected listing expenses incurred for the year ended 31 March 2017 of approximately HK\$11.1 million.

B. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for inclusion in this prospectus, received from the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in relation to the Group's profit estimate for the year ended 31 March 2017.

Deloitte.**德勤**

16 May 2017

The Board of Directors
Speed Apparel Holding Limited
Flat A, 17/F., Gemstar Tower
23 Man Lok Street, Hung Hom
Kowloon, Hong Kong

Messis Capital Limited
Room 1606, 16/F.,
Tower 2, Admiralty Centre
18 Harcourt Road,
Hong Kong

Dear Sirs,

Speed Apparel Holding Limited (“the Company”)

Profit Estimate for Year Ended 31 March 2017

We refer to the estimate of the consolidated profit of the Company and its subsidiaries (collectively referred to as the “Group”) attributable to owner of the Company for the year ended 31 March 2017 (the “Profit Estimate”) set forth in the section headed “Appendix III — Profit Estimate for the Year Ended 31 March 2017” in the prospectus of the Company dated 16 May 2017 (the “Prospectus”).

Directors’ Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Group for the eight months ended 30 November 2016, the unaudited consolidated results based on the management accounts of the Group for the three months ended 28 February 2017 and an estimate of the consolidated results of the Group for the remaining one month ended 31 March 2017.

The Company’s directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors of the Company and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors of the Company as set out in Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report dated 16 May 2017, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

C. LETTER FROM THE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus, received from Messis Capital Limited, the Sponsor, in relation to the Group's profit estimate for the year ended 31 March 2017.



The Board of Directors
Speed Apparel Holding Limited
Flat A, 17/F., Gemstar Tower
23 Man Lok Street, Hung Hom
Kowloon, Hong Kong

16 May 2017

Dear Sirs,

We refer to the estimate of the consolidated profit of Speed Apparel Holding Limited (the “Company”, together with its subsidiaries, hereinafter collectively referred to as the “Group”) for the year ended 31 March 2017 (the “Profit Estimate”) as set out in the prospectus issued by the Company dated 16 May 2017 (the “Prospectus”).

The Profit Estimate, for which the Directors are solely responsible, has been prepared by the Directors, based on (i) the audited consolidated results of the Group for the eight months ended 30 November 2016; (ii) the unaudited consolidated results of the Group based on the management accounts for the three months ended 28 February 2017; and (iii) an estimate of the consolidated results of the Group for the one month ended 31 March 2017.

We have discussed with you the bases upon which the Profit Estimate has been made. We have also considered the letter dated 16 May 2017 addressed to you and us from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Profit Estimate, for which the Directors are solely responsible, has been made after due and careful enquiry.

For and on behalf of
Messis Capital Limited
Vincent Cheung **Erica Law**
Managing Director *Director*

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 November, 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “**Memorandum**”) and its Amended and Restated Articles of Association (the “**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 8 May 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the

necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) *Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) *Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors**(i) *Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the 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), or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence

of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) *Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also

cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) *Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) days and not less than twenty (20) business days. All other general meetings must be called by notice of at least fourteen (14) days and not less than ten (10) business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and, in the case of special business, the general nature of that business.

In addition notice of every general meeting, must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers published daily and circulating generally in Hong Kong and in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors

may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different

classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of

shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to 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 8 December 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings

to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY**1. Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 19 November 2015. The Company has established a place of business in Hong Kong at Flat A, 17/F., Gemstar Tower, 23 Man Lok Street, Hung Hom, Kowloon, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 15 July 2016. In connection with such registration, Mr. Chan Wing Kai of Flat B, 7/F., Block 7, One Beacon Hill, 1 Beacon Hill Road, Kowloon, Hong Kong and Mr. Ng Ming Ho of 3/F., 70 Bute Street, Mong Kok, Kowloon, Hong Kong have been appointed as the authorised representatives of the Company for acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and its constitution, which comprises the Memorandum and the Articles of Association. A summary of certain provisions of the Company's constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of the Company

- (a) As at the date of incorporation, the Company had an authorised share capital of HK\$390,000 divided into 39,000,000 Shares with a par value of HK\$0.01 each.
- (b) On 19 November 2015, Mr. Craig Fulton subscribed for the first fully paid subscriber's Share which was transferred to Mr. Chan immediately.
- (c) On 8 December 2015, Mr. Chan transferred his fully paid Share to Speed Development for the consideration of HK\$0.01.
- (d) On 18 May 2016, in consideration of the transfer of all issued shares of Knit World from Mr. Chan to Speed Apparel BVI, Speed Development allotted and issued one share to Mr. Chan on 18 May 2016 which is in consideration of the Company allotting and issuing one Share to Speed Development.
- (e) On 24 May 2016, the Company allotted and issued 8,998 fully paid Shares to Speed Development for the consideration of HK\$0.01 each.
- (f) On 23 January 2017, the authorised share capital of the Company was increased from HK\$390,000 divided into 39,000,000 Shares to HK\$10,000,000 divided into 1,000,000,000 Shares by the creation of an additional 961,000,000 Shares.
- (g) Immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), 500,000,000 Shares will be issued fully paid or credited as fully paid and 500,000,000 Shares will remain unissued.

Save as disclosed in this prospectus, there has been no alteration in the Company's share capital since its incorporation.

3. Changes in share capital of the subsidiaries

The subsidiaries of the Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the section headed "History, Reorganisation and corporate structure — Reorganisation" in this prospectus, there has been no alteration in the share capital or registered capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

4. Written resolutions of the sole Shareholder passed on 23 January 2017 and 8 May 2017

Under the written resolutions of the sole Shareholder passed on 23 January 2017 and 8 May 2017, among other things:

- (a) the authorised share capital of the Company was increased from HK\$390,000 divided into 39,000,000 Shares to HK\$10,000,000 divided into 1,000,000,000 Shares by the creation of an additional of 961,000,000 Shares, which rank *pari passu* in all respects with the Shares in issue as at the date of such resolutions;
- (b) the Company approved and adopted the amended and restated Memorandum with immediate effect and the amended and restated Articles conditionally with effect from the Listing;
- (c) conditional on (i) the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be allotted and issued as mentioned in this prospectus including the Shares that may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme; (ii) the execution and delivery of the Underwriting Agreements on the date as specified in this prospectus; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Bookrunner (for itself and on behalf of other Underwriters) and not being terminated in accordance with the terms of such agreement (or any conditions as specified in this prospectus), in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived before such dates and times) and in any event not later than the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer was approved and the Directors were authorised to (aa) allot and issue the Offer Shares pursuant to the Share Offer subject to the terms and conditions as stated in this prospectus; (bb) implement the Share Offer and the listing of Shares on GEM; and (cc) do all things and execute all documents in

connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as the Directors may consider necessary or appropriate;

- (ii) conditional upon the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorised to capitalise an amount of HK\$3,749,910 from the amount standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 374,991,000 Shares for allotment and issue to the Shareholders whose names appear on the register of members of the Company at the close of business on 8 May 2017, or as each of them may direct in writing, in proportion (or as near as possible without involving the issue of fractions of Shares) to their then existing respective shareholdings in the Company and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares;
- (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” in this appendix, were approved and adopted and the Board or any committee thereof established by the Board were authorised at its sole discretion, to (1) administer the Share Option Scheme; (2) modify or amend the rules of the Share Option Scheme from time to time as may be acceptable or not objected to by the Stock Exchange; (3) grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares upon the exercise of subscription rights attaching to any option granted thereunder and (4) take all such actions as it considers necessary or desirable to implement or give effect the Share Option Scheme;
- (iv) a general unconditional mandate was given to the Directors to exercise all powers of the Company to allot, issue and deal in (including the power to make an offer or agreement, or grant securities which would or might acquire Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any cash dividend in accordance with the Articles of Association, or upon the exercise of any options which may be granted under the Share Option Scheme, Shares with an aggregate nominal value not exceeding the sum of 20% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by

the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first;

- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of the Company to repurchase on GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first; and
- (vi) the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

5. Reorganisation

The Group underwent the Reorganisation in preparation for the Listing. Please refer to the section headed “History, Reorganisation and corporate structure” in this prospectus for further details.

6. Repurchase by the Company of its own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies with a primary listing on GEM to purchase their shares on GEM subject to certain restrictions.

(i) *Shareholders' approval*

The GEM Listing Rules provide that all proposed repurchases of securities (which must be fully paid in the case of shares) by a company listed on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a written resolution of the sole Shareholder passed on 8 May 2017, the Repurchase Mandate was given to the Directors to repurchase on GEM, or any other stock exchange on which the Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, up to 10% of the aggregate of the nominal value of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association, the GEM Listing Rules, the Companies Law and other laws and regulations applicable to the Company. A company listed on GEM may not repurchase its own shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Under the Companies Law, any repurchase of Shares by the Company may be made out of profits, or out of the share premium account of the Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles of Association and subject to the Companies Law, out of capital. Any premium payable on a redemption or repurchase over the par value of the Shares to be purchased must be provided for out of profits of the Company

or from sums standing to the credit of the share premium account of the Company or, if so authorised by the Articles of Association and subject to the Companies Law, out of capital.

(iii) *Status of repurchased shares*

All repurchased Shares (whether effected on GEM or otherwise) will be automatically cancelled and the certificates for those Shares must be cancelled and destroyed. Under the Companies Law, a company's repurchased shares 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 as treasury shares prior to the purchase. If redeemed or purchased shares are cancelled, the amount of the company's issued share capital shall be reduced by the aggregate par value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(iv) *Core connected persons*

The GEM Listing Rules prohibit the Company from knowingly repurchasing the Shares on GEM from a core connected person and a core connected person shall not knowingly sell Shares to the Company.

(v) *Trading restrictions*

The Company may repurchase up to 10% of the number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer. The Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, whether on GEM or otherwise (other than an issue of securities pursuant to the exercise of warrants, share options or similar instruments requiring the Company to issue securities, which were outstanding prior to that purchase of its own securities), without the prior approval of the Stock Exchange. The Company is also prohibited from repurchasing Shares on GEM if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The broker appointed by the Company to effect a repurchase of Shares is required to disclose to the Stock Exchange any information with respect to a Share repurchase as the Stock Exchange may require.

In addition, the Company is prohibited from repurchasing its Shares on GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its Shares were traded on GEM.

(vi) *Suspension of repurchase*

Repurchase of Shares are prohibited after inside information has come to the Company's knowledge, or development which may constitute inside information has occurred or has been the subject of a decision until such time as the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the results of the Company for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and (bb) the deadline for the Company to announce its results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, the Company may not repurchase its Shares on GEM unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit the Company from making repurchase of Shares on GEM if the Company has committed a breach of any of the GEM Listing Rules.

(vii) *Reporting requirements*

Certain information relating to repurchase of securities on GEM or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Business Day following any day on which the Company makes a repurchase of Shares (whether on GEM or otherwise). In addition, the Company's annual report and accounts are required to disclose details regarding repurchase of Shares made during the financial year under review, including the number of Shares repurchased each month (whether on GEM or otherwise) and the purchase price per Share or the highest and lowest prices paid for all such repurchase, where relevant, and the aggregate price paid by the Company for such purchases. The Directors' report is also required to contain reference to the repurchase made during the year and the Directors' reasons for making such repurchase.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the Company's net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

(c) *Funding of repurchase*

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association, the GEM Listing Rules, the Companies Law and other applicable laws.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Company, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared to the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing level of the Group which in the opinion of the Directors are from time to time appropriate for the Group.

(d) *General*

The exercise in full of the Repurchase Mandate, on the basis of 500,000,000 Shares in issue immediately after the Listing, would result in up to 50,000,000 Shares being repurchased by us during the period in which the Repurchase Mandate remains in force. None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention to sell any Shares to the Company if the Repurchase Mandate is exercised.

The 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 Memorandum and Articles of Association, the GEM Listing Rules, the Companies Law and other applicable laws.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, the Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

No core connected person of the Company has notified the Group that he/she/it has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary and usual course of business) have been entered into by members of the Group within the two years immediately preceding the date of this prospectus and are or may be material:


- (a) the Business Transfer Agreement 1 dated 31 December 2015 entered into between Speed Apparel as vendor, Speed Apparel HK as purchaser and Mr. Chan as warrantor, pursuant to which Speed Apparel agreed to sell and Speed Apparel HK agreed to purchase the business carried on by Speed Apparel as at the date of the Business Transfer Agreement 1 (the “**SA Businesses**”) and the assets and liabilities owned or held as security by Speed Apparel and utilised in the SA Businesses for a consideration of approximately HK\$8,167,788, being the sum of the carrying value of the items set out in clause 2.1 of the Business Transfer Agreement 1 as at a day which is three business days prior to the completion date of the Business Transfer Agreement 1;
- (b) the Business Transfer Agreement 2 dated 31 December 2015 entered into between Firenze Apparel as vendor, Speed Apparel HK as purchaser and Mr. Chan as warrantor, pursuant to which Firenze Apparel agreed to sell and Speed Apparel HK agreed to purchase the business carried on by Firenze Apparel as at the date of the Business Transfer Agreement 2 (the “**FA Businesses**”) and the assets and liabilities owned or held as security by Firenze Apparel and utilised in the FA Businesses for a consideration of approximately HK\$8,847,566, being the sum of the carrying value of the items set out in clause 2.1 of the Business Transfer Agreement 2 as at a day which is three business days prior to the completion date of the Business Transfer Agreement 2;
- (c) the sale and purchase agreement relating to 4,000,000 shares of Knit World International Limited dated 18 May 2016 entered into between Mr. Chan, Speed Development, Speed Apparel BVI and the Company, pursuant to which Speed Apparel BVI agreed to purchase all 4,000,000 issued shares of Knit World from Mr. Chan, in consideration of which Speed Development allotted and issued one share to Mr. Chan which is in consideration of the Company allotting and issuing one Share to Speed Development and Speed Apparel BVI in turn allotting and issuing one share to the Company;
- (d) the Deed of Indemnity dated 8 May 2017 executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for its subsidiaries) regarding certain indemnities as more particularly set out in the section headed “Other information — Estate duty, tax and other indemnity” in this appendix;

- (e) the Deed of Non-competition dated 8 May 2017 executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for its subsidiaries) regarding the non-competition undertakings as more particularly set out in the section headed “Relationship with the Controlling Shareholders — Non-competition Undertakings” in this prospectus; and
- (f) the Public Offer Underwriting Agreement.

2. Intellectual Property Rights of the Group

(a) *Trademark*

As at the Latest Practicable Date, the Group had registered the following trademark(s) in Hong Kong:

<u>Trademark</u>	<u>Registered owner</u>	<u>Class</u>	<u>Specification of goods</u>	<u>Trademark number</u>	<u>Registration date</u>	<u>Expiry date</u>
	Speed Apparel (HK) Limited	25	Clothing (knitting garments)	303204800	19 November 2014	18 November 2024

(b) *Domain name*

As at the Latest Practicable Date, the Group had registered the following domain name:

<u>Domain name</u>	<u>Registered owner</u>	<u>Registration date</u>	<u>Expiry date</u>
speedapparel.com.hk	Speed Apparel (HK) Limited	21 March 2001	1 November 2017

C. DISCLOSURE OF INTEREST**1. Interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations following the Share Offer**

Immediately following completion of the Capitalisation Issue and the Share Offer, but without taking into account any Shares which may be allotted and issued pursuant to the Share Option Scheme, the interests or short positions of the Directors or chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or will be required, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange will be as follows:

(i) Long position in Shares

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares</u>	<u>Percentage of shareholding interest</u>
Mr. Chan	Interest in controlled corporation ^(Note)	375,000,000	75%

Note: Speed Development is beneficially owned as to 100% by Mr. Chan. Accordingly, Mr. Chan is deemed to be interested in the Shares held by Speed Development under the SFO.

(ii) Long position in associated corporation

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares in associated corporation</u>	<u>Percentage of shareholding interest</u>
Mr. Chan	Speed Development	Beneficial owner	101	100%

2. Interests and short positions of substantial shareholders in the Shares, underlying Shares and debentures of the Company and its associated corporations

Please refer to the section headed “Substantial Shareholders” in this prospectus for details of the persons (other than a Director or the chief executive of the Company)/entities which will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

3. Particulars of service agreements and appointment letters

(a) *Executive Directors*

Each of the executive Directors has entered into a service agreement with the Company pursuant to which he or she has agreed to act as an executive Director for an initial term of three years with effect from the Listing Date and the aggregate annual director’s fee payable to the executive Directors is HK\$2,886,000. Either party has the right to give not less than three months’ written notice to terminate the service agreement.

(b) *Independent non-executive Directors*

Each of the independent non-executive Directors has been appointed for a fixed term of three years with effect from the Listing Date and is entitled to an annual director’s fee of HK\$120,000. Save for the Directors’ fees, none of the independent non-executive Directors is expected to receive any other emolument for holding his or her office as a non-executive Director or an independent non-executive Director. Save as disclosed above, none of the Directors has or is proposed to have a service agreement or appointment letter with the Company or any of the subsidiaries (other than the contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

4. Directors’ emoluments

- (a) For the year ended 31 March 2017, the aggregate remuneration paid and benefits in kind granted by the Group to the Directors were approximately HK\$2.9 million.
- (b) Under the arrangements currently in force, the aggregate remuneration payable by the Group to and benefits in kind receivable by the Directors for the year ended 31 March 2018 are expected to be approximately HK\$3.2 million.
- (c) None of the Directors or any past directors of any member of the Group has been paid any sum of money for each of the two years ended 31 March 2016 and the eight months ended 30 November 2016 (1) as an inducement to join or upon joining

the Company or (2) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two years ended 31 March 2016 and the eight months ended 30 November 2016.

5. Fees or commission received

Save as disclosed in the section headed “Underwriting — Commission and expenses” in this prospectus, none of the Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix had received any agency fee or commissions from the Group within the two years immediately preceding the date of this prospectus.

6. Related party transactions

Details of the related party transactions are set out under Note 23 to Section A of the Accountants’ Report as set out in Appendix I to this prospectus.

7. Disclaimers

Save as disclosed in this prospectus:

- (a) without taking into account of any Shares which may be taken up or acquired under the Share Offer or any options which may be granted under the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of the Company) who will, immediately following the completion of the Capitalisation Issue and the Share Offer, have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;
- (b) none of the Directors has any interest or short position in any of the Shares, underlying Shares or debentures of the Company or any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them 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 the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, in each case once the Shares are listed;

- (c) none of the Directors or the experts named in paragraph headed “Qualifications of experts” in this appendix has been directly or indirectly interested in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to the Company or any other member of the Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (d) none of the Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole; and
- (e) none of the experts named in paragraph headed “Qualifications of experts” in this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

D. SHARE OPTION SCHEME

The followings are the principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the sole Shareholder passed on 8 May 2017:

1. Conditions

- (a) The Share Option Scheme is conditional upon:
 - (i) the Listing Division of the Stock Exchange granting the listing of and permission to deal in such number of Shares representing the General Scheme Limit (as defined in paragraph 7(b)) to be allotted and issued by the Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme; and
 - (ii) the passing of the necessary resolution to approve and adopt the Share Option Scheme in general meeting or by way of written resolution of the Shareholders.
- (b) If the conditions referred to in paragraph 1(a) are not satisfied on or before the date falling 30 days after the date of this prospectus, the Share Option Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.
- (c) Reference in paragraph 1(a)(i) to the Listing Division of the Stock Exchange formally granting the listing and permission referred to therein shall include any such listing and permission which are granted subject to the fulfilment of any condition precedent or condition subsequent.

2. Purpose, duration and administration

- (a) The purpose of the Share Option Scheme is to enable the Company to grant options to the Eligible Participants (as defined in paragraph 3(a) below) as incentives or rewards for their contribution to the Group.
- (b) The Share Option Scheme shall be subject to the administration of the Directors whose decision on all matters arising in relation to the Share Option Scheme or their interpretation or effect shall (save for the grant of options referred to in paragraph 3(b) which shall be approved in the manner referred to therein and save as otherwise provided herein) be final and binding on all persons who may be affected thereby.
- (c) Subject to paragraphs 1 and 13, the Share Option Scheme shall be valid and effective until the close of business of the Company on the date which falls 10 years (the “**Termination Date**”) after the date on which the Share Option Scheme is adopted upon fulfilment of the condition (the “**Adoption Date**”), after which period no further options may be issued but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.
- (d) An Eligible Participant who accepts the offer in accordance with the terms of the Share Option Scheme or (where the context so permits and as referred to in paragraph 5(d)(i)) his personal representative (the “**Grantee**”) shall ensure that the acceptance of an offer, the holding and exercise of his option in accordance with the Share Option Scheme, the allotment and issue of Shares to him upon the exercise of his option and the holding of such Shares are valid and comply with all laws, legislation and regulations including all applicable exchange control, fiscal and other laws to which he is subject. The Directors may, as a condition precedent of making an offer and allotting Shares upon an exercise of an option, require an Eligible Participant or a Grantee (as the case may be) to produce such evidence as it may reasonably require for such purpose.

3. Grant of options

- (a) Subject to paragraph 3(b), the Directors shall, in accordance with the provisions of the Share Option Scheme and the GEM Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the Adoption Date to make an offer to any person belonging to the following classes of participants (the “**Eligible Participants**”) to subscribe, and no person other than the Eligible Participant named in such offer may subscribe, for such number of Shares (being a board lot for dealings in the Shares on the Stock Exchange or an integral multiple

thereof) at such price per Share at which a Grantee may subscribe for the Shares on the exercise of an option, as determined in accordance with paragraph 4 (the “**Subscription Price**”), as the Directors shall, subject to paragraph 4, determine:

- (i) any employee (“**Eligible Employee**”) (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary or any entity in which any member of the Group holds any equity interest (the “**Invested Entity**”);
- (ii) any non-executive directors (including independent non-executive directors) of the Company, any subsidiary or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any client of any member of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (vii) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the Share Option Scheme, the offer may be made to any company wholly owned by one or more Eligible Participants.

For the avoidance of doubt, the grant of any option by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

- (b) Without prejudice to paragraph 7(d) below, the making of an offer to any Director, chief executive of the Company or substantial Shareholder, or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed Grantee of an option).

- (c) The eligibility of any of the Eligible Participants to an offer shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of the Group.
- (d) An offer shall be made to an Eligible Participant in writing (and unless so made shall be invalid) in such form as the Directors may from time to time determine, either generally or on a case-by-case basis, specifying the number of Shares under the option and the "**Option Period**" (which means, in respect of any particular option, a period (which may not expire later than 10 years from the offer date of that option) to be determined and notified by the Directors to the Grantee thereof and, in the absence of such determination, from the offer date to the earlier of (i) the date on which such option lapses under the provisions of paragraph 6; and (ii) 10 years from the offer date of that option) in respect of which the offer is made and further requiring the Eligible Participant 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 and shall remain open for acceptance by the Eligible Participant concerned (and by no other person) for a period of up to 21 days from the offer date.
- (e) An offer shall state, in addition to the matters specified in paragraph 3(d), the following:
 - (i) the name, address and position of the Eligible Participant;
 - (ii) the number of Shares under the option in respect of which the offer is made and the Subscription Price for such Shares;
 - (iii) the Option Period in respect of which the Offer is made or, as the case may be, the Option Period in respect of separate parcels of Shares under the option comprised in the offer;
 - (iv) the last date by which the offer must be accepted (which may not be later than 21 days from the offer date);
 - (v) the procedure for acceptance;
 - (vi) the performance target(s) (if any) that must be attained by the Eligible Participant before any option can be exercised;
 - (vii) such other terms and conditions of the offer as may be imposed by the Directors as are not inconsistent with the Share Option Scheme; and
 - (viii) a statement requiring the Eligible Participant 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 including, without limitation, the conditions specified in, *inter alia*, paragraphs 2(d) and 5(a).

- (f) An offer shall have been accepted by an Eligible Participant in respect of all Shares under the option which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant together with a remittance in favour of the Company of HK\$1 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.
- (g) Any offer may be accepted by an Eligible Participant in respect of less than the number of Shares under the option which are offered provided that it is accepted in respect of a board lot for dealings in the Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such Eligible Participant and received by the Company together with a remittance in favour of the Company of HK\$1 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.
- (h) Upon an offer being accepted by an Eligible Participant in whole or in part in accordance with paragraph 3(f) or 3(g), an option in respect of the number of Shares in respect of which the offer was so accepted will be deemed to have been granted by the Company to such Eligible Participant on the offer date. To the extent that the offer is not accepted within the time specified in the offer in the manner indicated in paragraph 3(f) or 3(g), it will be deemed to have been irrevocably declined.
- (i) The Option Period of an option may not end later than 10 years after the Offer Date of that Option.
- (j) Options will not be listed or dealt in on the Stock Exchange.

- (k) For so long as the Shares are listed on the Stock Exchange:
 - (i) the Company may not grant any option after inside information has come to the knowledge until it has announced the information. In particular, the Company may not grant any option during the period commencing one month immediately before the earlier of:
 - (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange under the GEM Listing Rules) for approving the Company's results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and
 - (bb) the deadline for the Company to announce the results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement; and
 - (ii) the Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

4. Subscription Price

The Subscription Price in respect of any option shall, subject to any adjustments made pursuant to paragraph 8, be at the discretion of the Directors, provided that it shall not be less than the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;
- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the offer date; and
- (c) the par value of the Share,

except that for the purpose of calculating the Subscription Price under paragraph 4(b) above for an option offered within five Business Days of the Listing Date, the price at which the Shares are to be offered for subscription under the Share Offer shall be used as the closing price for any Business Day falling within the period before the Listing Date.

5. Exercise of options

- (a) An option shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do. Any breach of the foregoing by a Grantee shall entitle the Company to cancel any option granted to such Grantee to the extent not already exercised.
- (b) Unless otherwise determined by the Directors and stated in the offer to a Grantee, a Grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.
- (c) Subject to, *inter alia*, paragraph 2(d) and the fulfilment of all terms and conditions set out in the offer, including the attainment of any performance targets stated therein (if any), an option shall be exercisable in whole or in part in the circumstances and in the manner as set out in paragraphs 5(d) and 5(e) by giving notice in writing to the Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised (which, except where the number of Shares in respect of which the option remains unexercised is less than one board lot or where the option is exercised in full, must be for a board lot for dealings in Shares on the Stock Exchange or an integral multiple thereof). Each such notice must be accompanied by a remittance for the full amount of the Subscription Price for Shares in respect of which the notice is given. Within 21 days (seven days in the case of an exercise pursuant to paragraph 5(d)(iii)) after receipt of the notice and, where appropriate, receipt of the certificate of the auditors of the Company or the independent financial advisors pursuant to paragraph 8, the Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or, in the event of an exercise of option by a personal representative pursuant to paragraph 5(d)(i), to the estate of the Grantee) fully paid and issue to the Grantee (or his estate in the event of an exercise by his personal representative as aforesaid) a share certificate for every board lot of Shares so allotted and issued and a share certificate for the balance (if any) of the Shares so allotted and issued which do not constitute a board lot.
- (d) Subject as hereinafter provided, an option may (and may only) be exercised by the Grantee at any time or times during the Option Period provided that:
 - (i) if the Grantee is an Eligible Employee and in the event of his ceasing to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the Grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 5(c) within a period of 12 months following the date of cessation of employment which date shall be the last day

on which the Grantee was at work with the Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as the Directors may determine or, if any of the events referred to in paragraph 5(d)(iii) or (d)(iv) occur during such period, exercise the option pursuant to paragraph 5(d)(iii) or 5(d)(iv) respectively;

- (ii) if the Grantee is an Eligible Employee and in the event of his ceasing to be an Eligible Employee for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in paragraph 6(a)(iv) before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless the Directors otherwise determine in which event the Grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 5(c) within such period as the Directors may determine following the date of such cessation or termination or, if any of the events referred to in paragraph 5(d)(iii) or 5(d)(iv) occur during such period, exercise the option pursuant to paragraph 5(d)(iii) or 5(d)(iv) respectively. The date of cessation or termination as aforesaid shall be the last day on which the Grantee was actually at work with the Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not;
- (iii) if a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all the Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, the Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, the Grantee shall, notwithstanding any other terms on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to the Company in accordance with the provisions of paragraph 5(c) at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be;
- (iv) in the event of a resolution being proposed for the voluntary winding-up of the Company during the Option Period, the Grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two Business Days before the date on which such resolution is to be

considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of paragraph 5(c) and the Company shall allot and issue to the Grantee the Shares in respect of which such Grantee has exercised his option not less than one day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up; and

- (v) if the Grantee is a company wholly owned by one or more Eligible Participants:
 - (aa) the provisions of paragraphs 5(d)(i), 5(d)(ii), 6(a)(iv) and 6(a)(v) shall apply to the Grantee and to the options granted to such Grantee, *mutatis mutandis*, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs 5(d)(i), 5(d)(ii), 6(a)(iv) and 6(a)(v) shall occur with respect to the relevant Eligible Participant; and
 - (bb) the options granted to the Grantee shall lapse and determine on the date the Grantee ceases to be wholly owned by the relevant Eligible Participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.
- (e) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the Grantee has been duly entered on the register of members of the Company as the holder thereof.

6. Early termination of the Option Period

- (a) The Option Period in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall lapse on the earliest of:
 - (i) the expiry of the Option Period;
 - (ii) the expiry of any of the periods referred to in paragraph 5(d);
 - (iii) the date of commencement of the winding-up of the Company;
 - (iv) in respect of a Grantee who is an Eligible Employee, the date on which the Grantee ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Grantee or the Group or the Invested Entity into disrepute);
 - (v) in respect of a Grantee other than an Eligible Employee, the date on which the Directors shall at their absolute discretion determine that (aa) (1) such Grantee or his close Associate has committed any breach of any contract entered into between such Grantee or his close Associate on the one part and the Group or any Invested Entity on the other part; or (2) such Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) such Grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by any other reason whatsoever; and (bb) the Option shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above; and
 - (vi) the date on which the Directors shall exercise the Company's right to cancel the option by reason of a breach of paragraph 5(a) by the Grantee in respect of that or any other option.
- (b) A resolution of the Directors to the effect that the employment of a Grantee has been terminated on one or more of the grounds specified in paragraph 6(a)(iv) or that any event referred to in paragraph 6(a)(v)(aa) has occurred shall be conclusive and binding on all persons who may be affected thereby.
- (c) Transfer of employment of a Grantee who is an Eligible Employee from one member of the Group to another member of the Group shall not be considered a cessation of employment. It shall not be considered a cessation of employment if a

Grantee who is an Eligible Employee is placed on such leave of absence which is considered by the directors of the relevant member of the Group not to be a cessation of employment of the Grantee.

7. Maximum number of Shares available for subscription

- (a) The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group shall not exceed 30% of the issued share capital of the Company in issue from time to time. No options may be granted under the Share Option Scheme or any other share option scheme adopted by the Group if the grant of such option will result in the limit referred to in this paragraph 7(a) being exceeded.
- (b) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, i.e. 50,000,000 Shares (the “**General Scheme Limit**”) provided that:
 - (i) subject to paragraph 7(a) and without prejudice to paragraph 7(b)(ii), the Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted; and
 - (ii) subject to paragraph 7(a) and without prejudice to paragraph 7(b)(i), the Company may seek separate Shareholders’ approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph 7(b)(i) to Eligible Participants specifically identified by the Company before such approval is sought.

- (c) Subject to paragraph 7(d), the total number of Shares allotted and issued and which may fall to be allotted and issued upon exercise of the options and the options granted under any other share option scheme of the Group (including both exercised or outstanding options) to each Grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of options to a Grantee under the Share Option Scheme would result in the Shares allotted and issued and to be allotted and issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of the Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Grantee and his close associates (or his associates if such Grantee is a connected person) abstaining from voting.
- (d) Without prejudice to paragraph 3(b), where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares allotted and issued and to be allotted and issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the offer date of each offer, in excess of HK\$5 million;

such further grant of options must be approved by the Shareholders in general meeting.

- (e) For the purpose of seeking the approval of the Shareholders under paragraphs 7(b), 7(c) and 7(d), the Company must send a circular to the Shareholders containing the information required under the GEM Listing Rules and where the GEM Listing Rules shall so require, the vote at the Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the GEM Listing Rules abstaining from voting.

8. Adjustments to the Subscription Price

- (a) In the event of any alteration in the capital structure of the Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation or sub-division of the Shares, or reduction of the share capital of the Company, then, in any such case the Company shall instruct the auditors or an independent

financial advisor to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to:

- (i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised); and/or
- (ii) the Subscription Price of any option; and/or
- (iii) (unless the relevant Grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option, and an adjustment as so certified by the auditors of the Company or such independent financial advisor shall be made, provided that:
 - (i) any such adjustment shall give the Grantee the same proportion of the issued share capital of the Company for which such Grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;
 - (ii) no such adjustment shall be made the effect of which would be to enable a Share to be allotted and issued at less than its nominal value;
 - (iii) the issue of Shares or other securities of the Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
 - (iv) any such adjustment shall be made in compliance with such rules, codes and guidance notes of the Stock Exchange from time to time.

In respect of any adjustment referred to in this paragraph 8(a), other than any adjustment made on a capitalisation issue, the auditors or such independent financial advisor must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules.

- (b) If there has been any alteration in the capital structure of the Company as referred to in paragraph 8(a), the Company shall, upon receipt of a notice from a Grantee in accordance with paragraph 5(c), inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the certificate of the auditors of the Company or the independent financial advisor obtained by the Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the auditors of the Company or the independent financial advisor as soon as practicable thereafter to issue a certificate in that regard in accordance with paragraph 8(a).

- (c) In giving any certificate under this paragraph 8, the auditors or the independent financial advisor appointed under paragraph 8(a) shall be deemed to be acting as experts and not as arbitrators and their certificate shall, in the absence of manifest error, be final, conclusive and binding on the Company and all persons who may be affected thereby.

9. Cancellation of options

- (a) Subject to paragraph 5(a) and Chapter 23 of the GEM Listing Rules, any option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of the Directors.
- (b) Where the Company cancels any option granted to a Grantee but not exercised and issues new option(s) to the same Grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or the limits approved by the Shareholders pursuant to paragraph 7(b)(i) or 7(b)(ii).

10. Share capital

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto, the Directors shall make available sufficient authorised but unissued share capital of the Company to allot and issue the Shares on the exercise of any option.

11. Disputes

Any dispute arising in connection with the number of Shares the subject of an option, or any adjustment under paragraph 8(a) shall be referred to the decision of the auditors of the Company who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

12. Alteration of the Share Option Scheme

- (a) Subject to paragraphs 12(b) and 12(d), the Share Option Scheme may be altered in any respect by a resolution of the Directors except that:
 - (i) the provisions of the Share Option Scheme as to the definitions of “**Eligible Participants**”, “**Grantee**”, “**Option Period**” and “**Termination Date**”; and
 - (ii) the provisions of the Share Option Scheme relating to the matters governed by Rule 23.03 of the GEM Listing Rules;

shall not be altered to the advantage of Grantees or prospective Grantees except with the prior sanction of a resolution of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the Articles for a variation of the rights attached to the Shares.

- (b) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted shall be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (c) Any change to the authority of the Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.
- (d) The amended terms of the Share Option Scheme and/or the options must continue to comply with the relevant rules, codes and guidance notes of the Stock Exchange from time to time.

13. Termination

The Company by resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued upon the exercise of the options granted under the Share Option Scheme, being 50,000,000 Shares in total. As at the date of this prospectus, no option had been granted by the Company under the Share Option Scheme.

E. OTHER INFORMATION**1. Estate duty, tax and other indemnity**

Speed Development and Mr. Chan (collectively the “**Indemnifiers**”) have executed the Deed of Indemnity in favour of the Company (for itself and as trustee for its subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any duty which is or hereafter becomes payable by any member of the Group by virtue of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) by reason of any transfer of property to any member of the Group at any time on or prior to the date on which the Share Offer becomes unconditional (the “**Effective Date**”);
- (b) any amount recovered (now or hereafter) against any member of the Group under provisions of section 43(7) of the Estate Duty Ordinance (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) in respect of any duty payable under section 43(1)(c) or 43(6) of the Estate Duty Ordinance by reason of any transfer of property to any member of the Group at any time on or prior to the Effective Date;
- (c) any amount of duty which any member of the Group is obliged to pay by virtue of section 43(1)(c) of the Estate Duty Ordinance (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) at any time on or prior to the Effective Date; and/or
- (d) any liability for tax falling on any member of the Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the Listing Date, whether or not such Taxation is chargeable against or attributable to any other person, firm or company, unless such liability to Taxation is also discharged by such other person, firm or company.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of the subsidiaries in the Cayman Islands and BVI and the estate duty under the laws of Hong Kong has been abolished.

The Indemnifiers shall be under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited combined accounts of members of the Group for each of the two years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 (the “Accounts”);
- (b) to the extent that such taxation claim arises or is incurred as a consequence of any retrospective change in the law or regulations or practice by the Hong Kong Inland Revenue Department or the tax authorities of the PRC or any other tax or government authorities in any part of the world coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect;
- (c) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any member of the Group which is carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Effective Date;
- (d) to the extent that such taxation or liability would not have arisen but for any act or omission by any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business after the date hereof or carried out, made or entered into pursuant to a legally binding commitment created before the Effective Date; and
- (e) to the extent of any provision or reserve made for such taxation in the Accounts which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers’ liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to this paragraph to reduce the Indemnifiers’ liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

2. Litigation

As at the Latest Practicable Date, to the best of the Directors’ knowledge, there was no current litigation or any pending or threatened litigation or arbitration proceedings against any member of the Group that could have a material adverse effect on the Group’s financial conditions or results of operations.

3. Sponsor

The Sponsor has, on behalf of the Company, made an application to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sponsor's fees are HK\$4.9 million.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of the Company are estimated to be approximately HK\$43,000 and are payable by the Company.

5. Promoter

- (a) The Company does not have any promoter.
- (b) Within the two years immediately preceding the date of this prospectus, no amount or benefit has been paid or given to any promoter of the Company in connection with the Share Offer or the related transactions described in this prospectus.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus, and have given and have not withdrawn their written consents to the issue of this prospectus with the inclusion of their letter, report, opinion and/or references to their names (as the case may be), all of which are dated the date of this prospectus, in the form and context in which they respectively appear in this prospectus:

<u>Name</u>	<u>Qualifications</u>
Messis Capital Limited	A corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Commerce & Finance Law Offices	Legal advisers to the Company as to PRC law
Soga Law Office	Legal advisers to the Company as to Japanese law

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

8. Share Registrar

The principal register of members of the Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of the Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, Tricor Investor Services Limited and may not be lodged in the Cayman Islands.

9. Taxation of holders of Shares**(a) *Hong Kong***

Dealings in Shares registered on the Company's Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Consultation with professional advisers*

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasized that none of the Company, the Directors or the other parties involved in the Share Offer would accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

10. Miscellaneous

Save as disclosed herein:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of the Company or any of its subsidiaries has been issued, agree to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

- (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
 - (iii) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and
 - (iv) no founder, management or deferred shares of the Company have been issued or agreed to be issued.
- (b) no share, warrant or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (c) the Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of the Group since 30 November 2016, being the date on which the latest audited financial information of the Group was reported in the Accountants' Report set out in Appendix I to this prospectus;
 - (d) the Directors confirm that there has not been any interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the 24 months immediately preceding the date of this prospectus.
 - (e) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (f) as at the date of this prospectus, there is no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong.

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (b) the written consents referred to in the paragraph headed “Qualifications of experts” in Appendix V to this prospectus; and (c) copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Loeb & Loeb LLP of 21st Floor, CCB Tower, 3 Connaught Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the accountants’ report of the Group dated the date of this prospectus prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of the Group for each of the two financial years ended 31 March 2016 and the eight months ended 30 November 2016;
- (d) the report on unaudited pro forma financial information prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (e) the letters relating to the profit estimate prepared by Deloitte Touche Tohmatsu and the Sponsor, the text of which are set out in Appendix III to this prospectus;
- (f) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus;
- (g) the service agreements and appointment letters referred to in the paragraph headed “Particulars of service agreements and appointment letters” in Appendix V to this prospectus;
- (h) the rules of the Share Option Scheme;
- (i) the written consents referred to in the paragraph headed “Qualifications of experts” in Appendix V to this prospectus;
- (j) the Companies Law;
- (k) the legal opinion issued by Commerce & Finance Law Offices, being the legal advisers to the Company as to PRC law;

- (l) the legal opinion issued by Soga Law Office, being the legal advisers to the Company as to Japanese law; and
- (m) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus.



SPEED APPAREL HOLDING LIMITED

尚捷集團控股有限公司